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SOUTH HAMS AUDIT COMMITTEE - THURSDAY, 3RD APRIL, 2014

Agenda, Reports and Minutes for the meeting

Agenda No Item

1. **Agenda Letter** (Pages 1 - 4)

2. **Reports**

Reports to Audit:

- a) Item 6 - Grant Thornton SHDC Audit Committee Update (Pages 5 - 24)
- b) Item 7 - Grant Thornton SHDC Audit Plan (Pages 25 - 42)
- c) Item 8 - Response to Grant Thornton Publication - Audit Committee Update for South Hams District Council; and Update on the Future of Local Audit (Pages 43 - 56)
- d) Item 9 - Internal Audit: Charter and Strategy - 2014/15 (Pages 57 - 80)
- e) Item 10 - Internal Audit - Plan for 2014/15 (Pages 81 - 96)
- f) Item 11 - Progress Against the Internal Audit Plan - 2013-14 (Pages 97 - 118)
- g) Item 12 - Checklist from the Audit Commission Document: Protecting The Public Purse 2013 (Fighting Fraud against Local Government) (Pages 119 - 136)
- h) Item 13 - Annual Review of the Council's Constitution (Pages 137 - 310)
- i) Item 14 - Strategic Risk Assessment - Six Monthly Update (Pages 311 - 340)

3. **Minutes** (Pages 341 - 348)

Agenda Item 1

Please reply to: Jo Doney
Service: Corporate Services
Direct Telephone: 01803 861466
E-Mail: Jo.Doney@southhams.gov.uk

To: Chairman & Members of the Audit Committee
(Cllrs Bramble, Bruce-Spencer, Gorman, Jones and Pennington);

Our Ref: CS/JD

cc: Cllr Wright (Executive Member for Finance and Audit)
Cllr Saltern (Executive Member for Corporate Services);
Remainder of the Council;
Usual press and officer circulation.

26 March 2014

Dear Councillor

A meeting of the **Audit Committee** will be held in the **Cary Room**, Follaton House, Plymouth Road, Totnes, on **Thursday 3 April 2014 at 10.00 am** when your attendance is requested.

Yours sincerely

Jo Doney
Member Support Officer

**FOR ANY QUERIES ON THIS AGENDA PLEASE CONTACT JO DONEY
MEMBER SUPPORT OFFICER ON DIRECT LINE 01803 861466**

A G E N D A

1. **Minutes** – to approve as a correct record and authorise the Chairman to sign the minutes of the Audit Committee held on 16 January 2014 (pages 1 to 4);
2. **Urgent Business** - brought forward at the discretion of the Chairman;
3. **Division of Agenda** - to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;
4. **Declarations of Interest** - Members are invited to declare any personal or prejudicial interests they may have, including the nature and extent of such interests, in any items to be considered at this meeting;

5. **Verbal presentation from Mr Mark Gayler, Assistant County Treasurer, Investments and Treasury Management from Devon County Council**
 6. **Grant Thornton SHDC Audit Committee Update** – to consider a report which provides the Audit Committee with a progress update on how the External Auditor is delivering its responsibilities to the Council (pages 5 to 23);
 7. **Grant Thornton SHDC Audit Plan** – to consider a report which presents Grant Thornton’s Audit Plan for 2013/14 (pages 24 to 40);
 8. **Response to Grant Thornton Publication – Audit Committee Update for South Hams District Council; and Update on the Future of Local Audit** – to consider a report which provides Members with the responses to the questions posed in the Grant Thornton Publication – Audit Committee Update for South Hams District Council dated 16 January and presented to the January 2014 Audit Committee and an update relating to the Government legislation (Local Audit and Accountability Act 2014) and Future of Local Audit following the disbanding of the Audit Commission and the new local public audit framework (pages 41 to 54).
 9. **Internal Audit: Charter and Strategy – 2014/15** – to consider a report which allows the Committee to review and comment upon the Internal Audit Charter and Strategy for 2014/15 (pages 55 to 77);
 10. **Internal Audit – Plan for 2014/15** – to consider a report which provides the Committee with the opportunity to review and comment upon the internal audit plan for 2014/15 (pages 78 to 93);
 11. **Progress Against the Internal Audit Plan – 2013-14** – to consider a report that sets out the principal activities and the findings of the Council’s Internal Audit Team for 2013/14 to 28 February 2014 (pages 94 to 114).
 12. **Checklist from the Audit Commission Document: Protecting The Public Purse 2013 (Fighting Fraud against Local Government)** – to consider a report which informs the Committee of the position of the Council against the checklist (pages 115 to 131);
 13. **Annual Review of the Council’s Constitution** – to consider a report which presents the Annual Review of the Council Constitution (pages 132 to 136);
 14. **Strategic Risk Assessment – Six Monthly Update** – a consider a report with **EXEMPT** appendices which presents the six monthly update to the Committee on the Strategic Risk Assessment (pages 137 to 161).
- N.B.** Legal and financial officers will not, as a general rule, be present throughout all meetings, but will be on standby if required. Members are requested to advise Member Support Services in advance of the meeting if they require any information of a legal or financial nature.

* * * * *

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

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Members of the public may wish to note that the Council's meeting rooms are accessible by wheelchairs and have a loop induction hearing system

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Audit Committee Update for South Hams District Council

Year ended 31 March 2014

03 April 2014

Page 5

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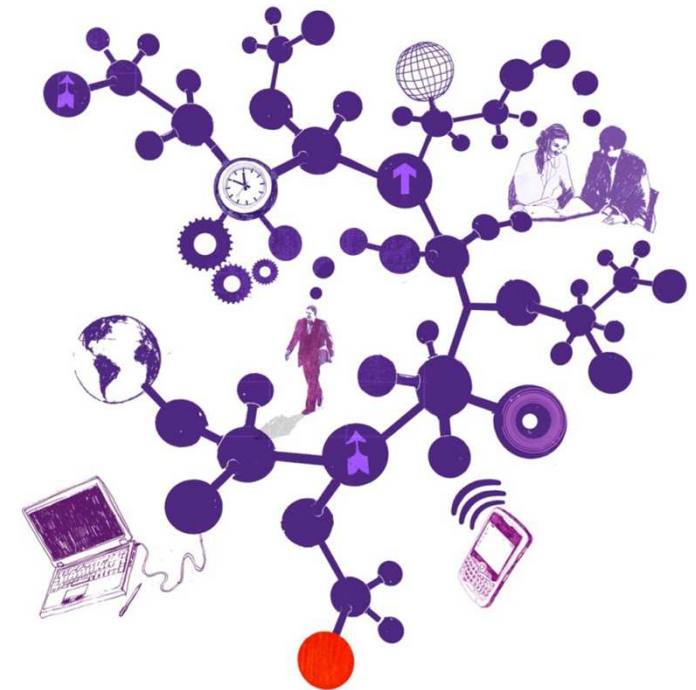
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Agenda Item 2a

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
Introduction	4
Progress at 21 March 2014	5
Emerging issues and developments	
Local government guidance	7
Grant Thornton	11
Accounting and audit issues	14

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Council includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress at 28 February 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	March 2014	Yes	Audit plan is on the agenda for this meeting.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	Spring 2014	Yes	<p>Work started on the 3 March 2014.</p> <p>Work is completed and our findings are reported in the audit plan.</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council 's accounts • proposed Value for Money conclusion. 	Summer 2014	Not yet due	The opinion on the Council's statement of accounts and VfM conclusion will be given at the Audit committee meeting on 18 September 2014.

Progress at 28 February 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.</p> <ul style="list-style-type: none"> • The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. • The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. 	<p>March to September 2014</p>	<p>Not yet due</p>	<p>The Interim risk assessment has been undertaken. The only significant matter, as in 2012/13, is the Financial Resilience of the Council's finances. The detailed risk assessment work is planned for 14 April 2014.</p>
<p>Other areas of work Grant claims and certification. We anticipate that the only claim that will require certification for 2013/14 will be the Housing benefit and council tax subsidy.</p>	<p>June 2014 September 2014</p>	<p>Not yet due</p>	<p>The Audit Commission has confirmed that the National non-domestic rates return (NNDR3) no longer requires auditing.</p>

Emerging issues and developments

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Issues to consider:

How have members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

Emerging issues and developments

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Emerging issues and developments

Helping the High Street

Local government guidance

Support for UK high streets

On 6 December 2013, the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider:

- Has the Council assessed the local economic impact of the measures announced by the Communities Secretary?
- Has the Head of Finance & Audit assessed the impact of the measures on the Council's finances and the 2014/15 and 2015/16 budgets?

Emerging issues and developments

Councils keep New Homes Bonus

Local government guidance

Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issues to consider:

- Has your Head of Finance & Audit assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

Emerging issues and developments

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Issues to consider:

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Head of Finance & Audit completed the checklist and reported it to the Audit Committee?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Head of Finance & Audit reviewed these case studies and considered whether there is scope to adopt these?

Emerging issues and developments

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Issues to consider:

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

Emerging issues and developments

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Issues to consider:

- Has the Head of Benefits kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Authority have a plan in place or in development for the introduction of universal credit?

Emerging issues and developments

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Issues to consider:

- Is your Council confident of obtaining the information it needs from the VOA?
- Has your Council recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your Council provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your Council planning to revisit its provision and contingent liability before the audit opinion is issued?

Emerging issues and developments

Reporting the costs of public health

Accounting and audit issues

Changes to SeRCOP – new public health line

SeRCOP for 2013/14 introduces a new cost of service line for 'Public health'. This has been introduced to reflect new responsibilities placed upon local authorities following restructuring in the NHS. We expect this new service line to be presented on the face of the CIES within cost of services. If there were material amounts relating to this service in 2013/14, we would expect comparative figures to be restated.

Issue to consider:

- Is your Head of Finance & Audit confident that he can provide accurate information and a robust audit trail for the public health line within cost of services?

Emerging issues and developments

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the Council into the pension fund
- the agreement between the actuary and the Council as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a Council agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Emerging issues and developments

Accounting for pensions

Accounting and audit issues

Issues to consider:

- Is the Council confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If the Council considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

Emerging issues and developments

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

Issues to consider:

- Is the Council aware of the detailed requirements and their impact on its current payroll system and processes?
- Is the Council taking appropriate action to ensure implementation of the required changes to its payroll system and processes by 1 April 2014?
- Has the Council liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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The Audit Plan for South Hams District Council

Year ended 31 March 2014

03 April 2014

Page 25

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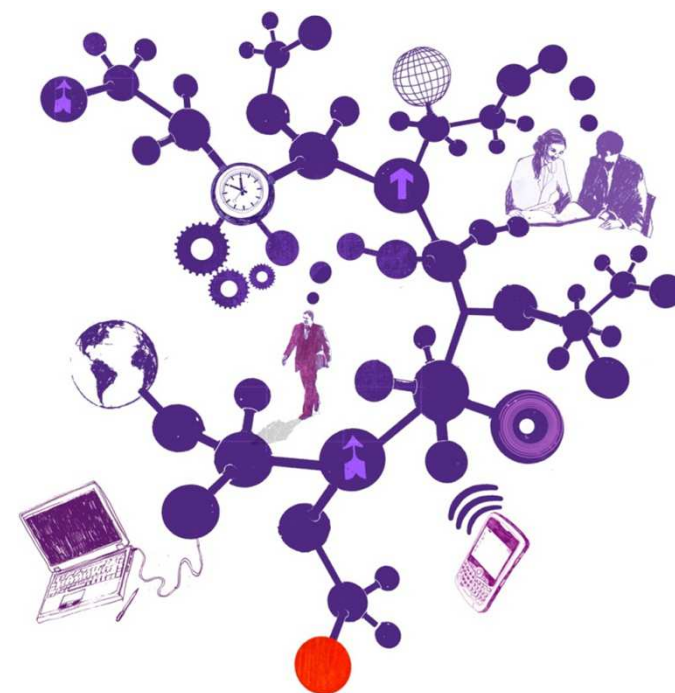
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Contents

Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Transformation programme 2018 (T18)

- The Council, together with West Devon Borough Council, is currently undergoing transformation under the T18 project.
- Part of that plan is re-design of the management structure which will reduce the joint management team from ten to seven.
- The resulting reduction in capacity will provide a major challenge for both Council's.

2. Accounting for NDR

- The introduction of local accounting for National Domestic rates (NDR) introduces a new approach to the treatment of business rates.
- The approach introduces the need to provide for appeals.
- The Council also participates in the Devon NDR pool to help reduce the impact of variances in NDR collected across Devon.

3. Achieving savings

- The Council has achieved its financial plans in recent years. However, the Council faces further reductions in the funding it receives in future years.
- The MTFP recognised a £2.35m budget gap over the four financial years 2014/15 to 2017/18.

Our response

- We will :
 - monitor the Council's progress with T18,
 - continue to discuss the changes with management; and
 - review the Council's reporting of achieved savings.

- We will liaise with the Council's finance team to agree:
 - the presentation in the financial statements;
 - the assumptions used to provide for appeals; and
 - the appropriate disclosure of pool arrangements in the financial statements.

- We will review the Council's savings plans as part of our VfM work
- We will review the Council's financial forecasts and estimates as part of our risk planning for the audit of the financial statements
- We will update our assessment of the Council's financial resilience.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

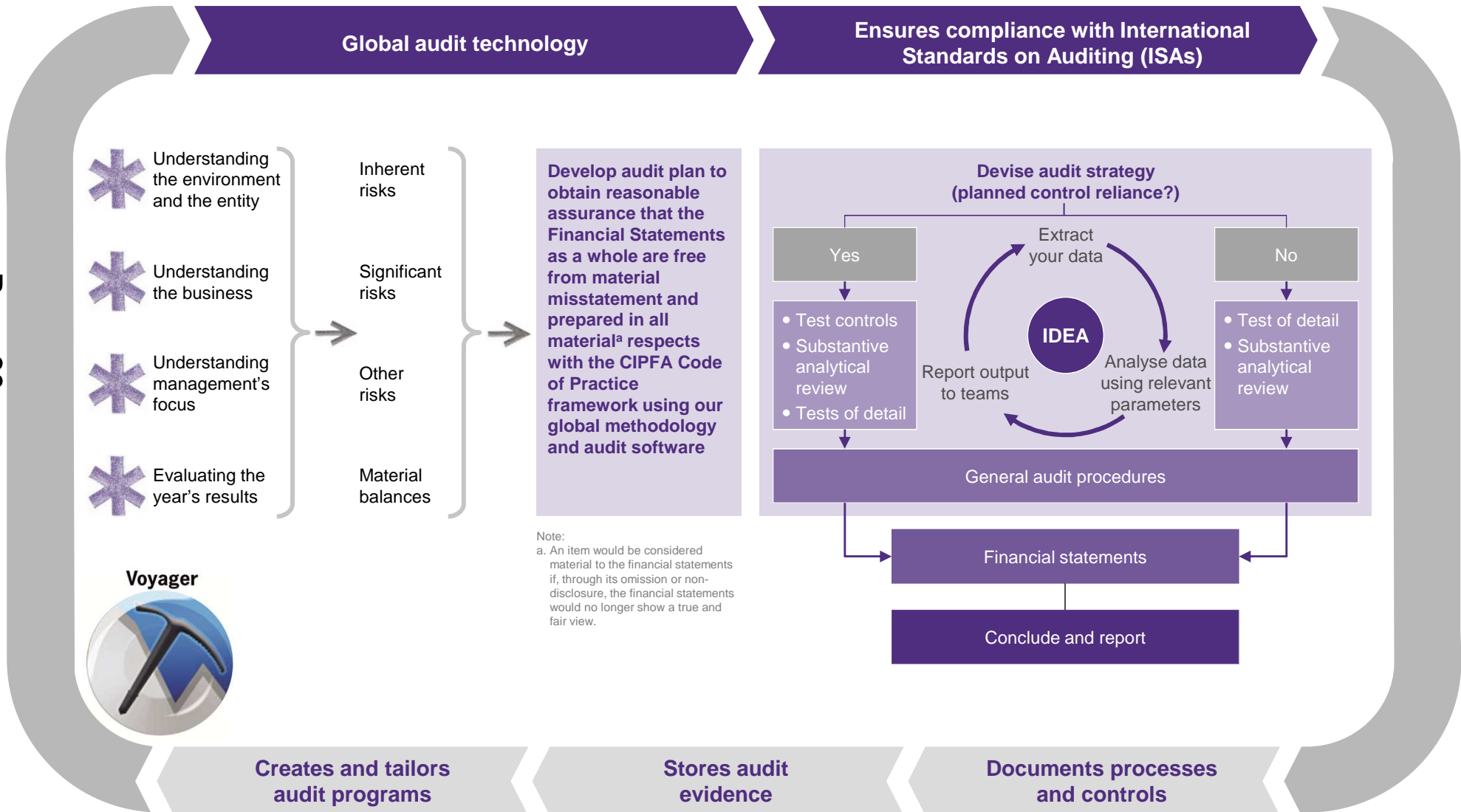
Developments and other requirements

<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Clarification of Code requirements around PPE valuations • Changes to NDR accounting and provisions for business rate appeals • Transfer of assets to Academies 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required
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Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing • schools are accounted for correctly and in line with the latest guidance. 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate. 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge. 	<ul style="list-style-type: none"> • We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management. 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion. 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements.
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Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review and testing of revenue recognition policies Testing of material revenue streams <p>Further work planned:</p> <ul style="list-style-type: none"> Review and testing of revenue recognition policies Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of accounting estimates, judgments and decisions made by management Testing of journal entries Review of unusual significant transactions <p>Further work planned:</p> <ul style="list-style-type: none"> Review of accounting estimates, judgments and decisions made by management Testing of journal entries Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Substantively test a sample of operating expenses 	<ul style="list-style-type: none"> Agree creditors to the ledger Review unusual amounts Review of payments before and after year end to ensure that they are allocated to the correct year and correctly recognised
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Substantively test a sample of remuneration transactions 	<ul style="list-style-type: none"> Predictive analytical review Reconcile year end HMRC return to ledger Review unusual amounts Confirm accounts disclosures
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Substantively test a sample of welfare claims Verifying system parameters 	<ul style="list-style-type: none"> Analytical Review Review the reconciliation of the housing benefit system to the general ledger Agree the Housing Benefit claim to the accounts

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively; and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. As in 2012/13 the Financial Resilience of the Council's finances remains the only risk identified.

We will undertake work to ensure that as well as addressing high risk area it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. We do not plan to undertake any other specific reviews to support our VfM conclusion.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will issue a separate report in respect of Financial resilience.

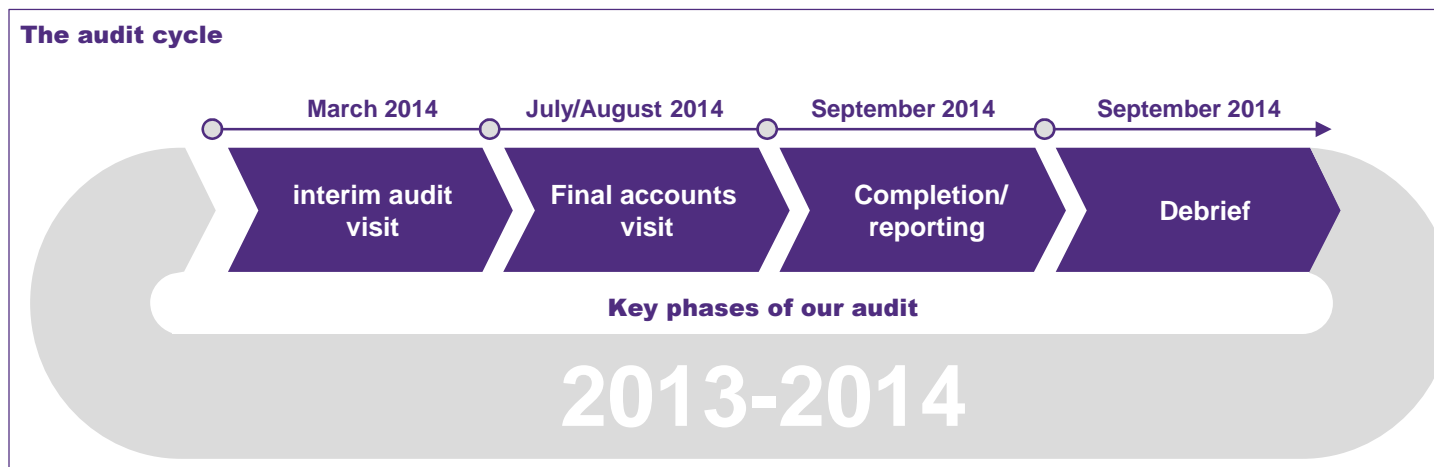
Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	We have reviewed internal audit's overall arrangements. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council. We will continue to review the findings of internal audit to inform our audit planning.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. These relate to: <ul style="list-style-type: none"> • Operating expenses and creditors • Employee remuneration • Welfare expenditure. 	From our work we noted that: <ul style="list-style-type: none"> • The operating expenses cycle is working as expected • Payroll is currently delivered by one individual, this means there is inadequate segregation of duties. However, we note that there is strong budgetary review of costs that should detect any possible material errors • The welfare benefits cycle is operating as expected.
Review of information technology controls	Our information systems specialist has arranged to perform a review of the general IT control environment in May 2014.	Following completion of this work, we will confirm whether there are any material weaknesses which are likely to adversely impact on the Council's financial statements.

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have identified a material weakness in the authorisation of journals which is likely to adversely impact on the Council's control environment or financial statements.(see conclusion/summary).</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first 11 months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that require to be reported.</p>	<p>Although journals over £25,000 are subject to review by the Chief Accountant on a monthly basis we recommend that journal entry controls are enhanced such that there is review and authorisation of all journal postings.</p> <p>No significant issues were noted from the testing of journal entries to date. Further work will be undertaken to test journal entries for the remainder of the 2013/14 financial year.</p>

Key dates



Date	Activity
January 2014	Planning
03 March 2014	Interim site visit
03 April 2014	Presentation of audit plan to Audit Committee
July/August 2014	Year end fieldwork
August 2014	Audit findings clearance meeting with Head of Finance & Audit
18 September 2014	Report audit findings to those charged with governance (Audit Committee)
18 September 2014	Sign financial statements opinion

Fees and independence

Fees

Service	Fees £
Council audit	56,972
Grant certification	10,302
Total fees (excluding VAT)	67,274

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The Grant certification fee is subject to revision by the Audit Commission to take account of reduced testing required for the audit of NDR and Council Tax Benefit.

Fees for other services

Service	Fees £
VAT and Employment Tax advice	8,000
Review of client response to HMRC	2,500
Total fees (excluding VAT)	10,500

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Page 39

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	All non-routine journal entries should be authorised.	M	Disagree. The Head of Finance considers that there is an adequate audit trail in place, that real controls were in place for year end and that the journals did not involve payments to third parties.	n/a
2	There is a lack of segregation of duties in the preparing and processing of payroll.	M	There are compensating controls within the Council that would identify any errors in the processing of payroll	n/a



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AGENDA ITEM 8

SOUTH HAMS DISTRICT COUNCIL

AGENDA ITEM 8

NAME OF COMMITTEE	Audit Committee
DATE	3 April 2014
REPORT TITLE	Response to Grant Thornton Publication – Audit Committee Update for South Hams District Council; and Update on the Future of Local Audit
Report of	Head of Finance & Audit and S.151 Officer
WARDS AFFECTED	All

Summary of report:

The purpose of this report is to provide members with the responses to the questions posed in the Grant Thornton Publication – Audit Committee Update for South Hams District Council dated 16th January and presented to the January 2014 Audit Committee (Appendix A); and an update relating to the Government legislation (Local Audit and Accountability Act 2014) and Future of Local Audit following the disbanding of the Audit Commission and the new local public audit framework (Appendix B).

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee considers the Head of Finance & Audit’s responses to the question posed in the Grant Thornton publication – ‘Audit Committee Update for South Hams District Council’ (Appendix A), and the Update on the Future of Local Audit (Appendix B) .

Officer contact:

For further information concerning this report, please contact:
 Lisa Buckle, Head of Finance & Audit and S.151 Officer lisa.buckle@swdevon.gov.uk
 Allan Goodman, Chief internal Auditor allan.goodman@swdevon.gov.uk

1. Grant Thornton – Audit Committee Update for South Hams District Council (Appendix A)

- 1.1 Grant Thornton presented their publication – Audit Committee Update for South Hams District Council dated 16th January to the January 2014 Audit Committee.
- 1.2 This paper provided the Audit Committee with a report on progress in delivering Grant Thornton’s responsibilities as the Council’s external auditors. The paper also includes:
 - A summary of emerging national issues and developments that may be relevant to you as a District council;
 - A number of challenge questions in respect of these emerging issues which the Committee may wish to consider.
- 1.3 At the January 2014 Audit Committee, the Head of Finance & Audit offered to provide members with a formal response to the suggested questions on the following topics:
 - Council tax collection – data from value for money profiles;
 - Local Government Pension Scheme;
 - Local Government claims and returns 2011/12;
 - Future Councillors – where next for politics?
 - Spending Round 2013; and
 - 2014/15 Code of Practice.

The Grant Thornton summaries and the Head of Finance & Audit’s formal responses appear at Appendix A.

- 1.4 In addition Members requested copies of the material that Grant Thornton had made available on their website. The Chief Internal Auditor has forwarded these documents by email and provided paper copies where required.

2. DCLG - Future of Local Audit (Appendix B)

- 2.1 On 9 May 2013 the Local Audit and Accountability Bill was introduced into Parliament. The Bill set out the Government’s proposals to disband the Audit Commission and establish a new local public audit framework. On 30 January 2014, the Local Audit and Accountability Act 2014 received Royal Assent.
- 2.2 Appendix B provides a summary of the Bill. The key messages are:

Independent Auditor Appointment Panels (IAP)

- An Audit Committee can only act as an IAP if it already has an independent chairman, although an IAP can draw on an Audit Committee’s advice in carrying out its functions; and
- Several authorities may share an IAP.

Resignation and removal of auditors

- The regulations set out the process to be followed if an authority wishes to remove its auditor, or if an auditor wishes to resign.

Eligibility and regulations of auditors

- The names of those individuals assessed as competent to take primary responsibility for a local audit, on behalf of a firm eligible for local audit, will be published on the local audit register;
- In mirroring the regulatory framework for statutory audit, the recognised supervisory bodies for local audit will have in place rules and practices which must comply with specific guidance issued by the Financial Reporting Council.

Accounts and audit regulations

- There was broad support for maintaining the current provisions, though also suggestions for particular improvements to the regulations.
- The Government intends to keep public inspection rights as they constitute an important local scrutiny and accountability measures.

2.3 The Government is working towards having finalised regulations on: the appointment of auditors and auditor resignation/removal, eligibility and regulation of auditors, and the conduct of local audit (consideration of report and recommendations of public interest reports). These will be ready to be laid in the summer.

3. LEGAL IMPLICATIONS

3.1 Statutory powers: Accounts and Audit Regulations 2011 etc.
Local Audit and Accountability Act 2014

4. FINANCIAL IMPLICATIONS

4.1 None, within existing budgets.

5. RISK MANAGEMENT

5.1 The risk management implications follow these considerations:

Corporate priorities engaged:	All
Statutory powers:	Accounts and Audit Regulations 2011 Local Audit and Accountability Act 2014
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	No specific biodiversity issues arising from this report.
Sustainability considerations:	No specific sustainability issues arising from this report.
Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	Audit Committee January 2014: Agenda Item 7: Grant Thornton Publication - Audit Committee Update for South Hams District Council.

Appendices attached:	Appendix A: Head of Finance & Audit Response to the Grant Thornton Publication – Audit Committee Update for South Hams District Council; Appendix B: Future of Local Audit:: Responses (February 2014).
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STRATEGIC RISKS TEMPLATE

No	Opportunity Title	Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
	Opportunity	To ensure the Council is addressing any issues which arise from audit publications in the year - both from Central Government and from our external auditor's Grant Thornton.	3	1	3		The Council has the appropriate procedures in place to fulfil this requirement.	The Head of Finance and Audit

Direction of travel symbols ↓ ↑ ⇄

Local Government Guidance

Council Tax Collection – data from the value for money profiles

The Audit Commission has released a briefing on Council Tax Collection which uses the data held in the VFM profiles tool. The VFM profiles can be used to consider:

- how the cost and rate of collection compares to different comparator groups
- how changes over time compare to the overall trends described in the briefing
- how council tax collection may be affected by local arrangements in the council tax reduction scheme.

Issues for consideration:

- **Has your Head of Finance & Audit reviewed the costs and performance of your authority against similar organisations?**

Yes this has been reviewed. The Council is in the top 10% nationally (12/13 figures) for the collection of council tax due (99%) and the collection of business rates due (99.2%).

The cost of collection is £10.39 per head of population against a District Council average of £10.14 per head of population.

- **Where issues have been identified, has an action plan been implemented?**

No issues have been identified.

The Transformation Programme 2018 will further reduce the costs of collection by service re-design.

Local Government Pension Scheme

The Department for Communities and Local Government has launched a 'Call for Evidence' on the future structure of the Local Government Pension Scheme. The consultation is asking for feedback on the objectives for structural reform and how the Local Government Pension Scheme can best achieve accountability to local taxpayers through the availability of transparent and comparable data while adapting to become more efficient and to promote stronger investment performance.

The consultation closed on 27 September 2013.

Issues for consideration:

- **Has Head of Finance & Audit reviewed the consultation and assessed the potential impact?**

Yes the consultation has been reviewed. The consultation was around whether there should be fewer, larger pension funds and whether larger funds can access external management at lower costs. Historically, internal management has provided superior returns. Larger fund size would give local authorities the opportunity to use internal management to a greater extent than currently. Larger funds may provide the potential for improvements in scheme governance. Larger fund sizes may provide better opportunities for investment in certain asset classes. Larger funds will have bigger governance budgets, enabling better decision making.

- **Did your authority respond to the consultation?**

The Council supported the view of the Local Government Association which was expressed on local government's behalf collectively. This view was that provided such advantages are both demonstrated by other evidence submitted and can be cost effectively realised in a manner which minimises risk to local authorities, then reform which aims to result in fewer, larger funds should be supported. The Pension Fund is administered by Devon County Council.

Local Government Claims and Returns 2011/12

In June 2013, the Audit Commission published 'Local government claims and returns 2011/12 – The Audit Commission's report on certification work'. The report includes information and commentary on the number and value of certified claims and returns; auditors' findings; the cost of certification work; and future certification work.

- while 2011/12 saw a fall in the value of amendments and number of qualification letters, this was largely due to fewer claims and returns requiring certification. Proportionally, the level of claims and returns amended or qualified rose, while the most significant scheme, housing and council tax benefits, saw both the value of amendments and number of qualification letters increase.
- authorities and grant-paying bodies should continue their work to ensure schemes' terms and conditions are complied with, particularly when schemes change significantly or are in their final year.

Issue for consideration:

- **What procedures does your Head of Finance & Audit have in place to ensure that grant schemes terms and conditions are complied with and that claims and returns are completed accurately?**

The Council has grant procedures and controls in place to ensure grant schemes terms and conditions are complied with. The last grant claims report from Grant Thornton was presented to the Audit Committee on 16 January 2014. It stated that two claims were audited and neither claim required amendment or qualification.

Grant Thornton

'Future Councillors – where next for local politics?'

Grant Thornton has sponsored the latest New Local Government Network (NLGN) research paper: *Future Councillors – where next for local politics?* Whilst more or less every aspect of what a council does is currently up for discussion, this is not the case for the role of local politicians. The report is a response to this discourse gap.

The report content is based on a series of workshops held earlier this year with a number of councillors from different local authority types, different regions and from different political parties. The workshops, which Grant Thornton attended, included a scenario-planning exercise which identified how councillors that fail to renew their democratic processes risk losing the support of their communities. The research also suggested that councils that did grasp the opportunities offered by technology and service redesign can become far more engaged with their communities, building efficient and co-operative models of local government focused on neighbourhood needs.

The report includes a chapter by Guy Clifton from Grant Thornton on the councillor's role in financial planning. The workshops identified that many elected members are keen to take a far greater role in financial planning at their authorities, particularly given the significant funding challenges being faced. During the workshops we explored the skills and capabilities that members need to effectively manage the budget setting process. These included: effective communication and stakeholder engagement, understanding financial planning tools and, perhaps most importantly, knowing what questions to ask.

Issue for consideration:

- **Are your elected members taking a greater role in financial planning and has the authority ensured that members are trained for the task?**

Specific financial refresher training is in the process of being organised for Members in April/May time this year and will focus specifically on budget setting and approval of the Final Accounts. Treasury Management training is also being organised for Members.

Spending Round 2013

It was announced in the June 2013 spending round that the local government resource budget will be reduced by 10 percent in 2015-16.

As Paul Dossett, Head of Local Government at Grant Thornton UK LLP, wrote on informationdaily.com, the Chancellor 'seemingly acknowledged local government's capacity to deliver the scale of savings achieved so far. No other spending department received such positive affirmation. The Chancellor's actions imply that local government leaders are more capable of meeting the national challenge than other parts of the public sector. Over the past three years, local government members and senior officers have tightened their organisational belts and most have shown they are able to deliver significant change. The government is placing continued reliance on their resourcefulness in order to help meet the fiscal shortfalls facing the broader public sector, and many in the sector recognise this.'

'In his speech, the Chancellor recognised the benefits that more collaborative working can bring, although not on the lines subsequently suggested by the LGA. The Chancellor called for more joined-up working between police forces, and between police forces and local authorities - with a £50m innovation fund to be established to support this work. He also called for greater collaboration between health and social care services, with £200m to be transferred to local authorities from the NHS in 2014-15, and a £3.8bn pooled budget in 2015-16. In addition, £35m is to be made available to local authorities in 2015-16 to help prepare for reforms to the system of social care funding, including the cap on care costs from April 2016. There is also the £200m additional funding to the Troubled Families programme being managed by the department for Communities and Local Government.'

Issues for consideration:

- **Has your authority reviewed your medium term financial plan in light of the Spending Round announcement and considered the action to be taken? We would emphasise that for South Hams District Council, the preparation of the 2014-19 MTFP is already in progress.**

Yes. The report to the Executive on 23 January 2014 and the report to Council (Budget proposals 2014/15) set out the latest position. This showed that the Council is able to meet the projected budget gap over the next four years due to the savings from the Transformation Programme 2018 materialising in the 2016/17 financial year. This innovative Transformation Programme was approved by Members in response to the unprecedented scale of the financial challenges facing the Council.

- **How is your authority planning to work with other organisations in the public sector?**

The Council's Partnership Strategy sets this out in detail.

Accounting and Audit Issues

2014/15 Code of Practice on Local Authority Accounting

At the end of July, CIPFA/LASAAC released the 2014-15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The significant changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in authorities reviewing current measurements of property, plant and equipment and for some authorities, may require remeasurement of particular assets. CIPFA/LASAAC is proposing a relaxation of the measurement requirements of IFRS 13 and IAS 16 Property, Plant and Equipment for a three year period
- introduction of the new group accounting standards
- other amendments to standards issued by the International Accounting Standards Board (IASB): amendments to IAS 32 *Financial Instruments: Presentation* to clarify the application of the new disclosure requirements introduced in the 2013-14 Code and clarification on comparative information from amendments to IAS 1 *Presentation of Financial Statements*

- local government reorganisations and other combinations: clarification of the Code's requirements and alignment with other public sector bodies
- options for the “dry run” for the move to depreciated replacement cost for local authority transport infrastructure assets as set out in the CIPFA Code of Practice on Transport Infrastructure Assets to the (Local Authority Accounting) Code.

CIPFA/LASAAC have also launched a consultation on simplifying and streamlining the presentation of local authority financial statements. Both consultations closed on Friday 11 October 2013.

Issue for consideration:

- **Has your Head of Finance & Audit reviewed the proposed amendments and assessed the potential impact?**

Yes this work has been addressed by the Chief Accountant who has attended various training workshops on the new Code of Practice. For example, IFRS 13 Fair Value Measurement states that for operational assets needed to provide services directly to the public, the measurement should be based on existing use value. Assets not subject to service or other constraints should be measured at fair value under IFRS13.

1 Background

- 1.1 On 9 May 2013 the Local Audit and Accountability Bill was introduced into Parliament. The Bill set out the Government's proposals to disband the Audit Commission and establish a new local public audit framework. On 30 January 2014, the Local Audit and Accountability Act 2014 received Royal Assent.
- 1.2 The proposed draft regulations and policy statements were positively received by the majority of respondents.

2 Independent Auditor Panels

- 2.1 The draft regulations, extend the definition of an independent panel member, set out the minimum membership of an auditor panel, and apply several existing local authority enactments to panels. The regulations also give the panel the function of advising on whether to adopt a policy on procurement of non-audit work from the auditor, and on the content of such a policy.
- 2.2 The Government will consider with the sector the development of guidance on how best to utilise the perspective and expertise of audit committees. However, we believe that it is right to have independent oversight in this area, which the audit committee, as a committee of the authority, cannot provide. The Act already allows an audit committee to act as an auditor panel if it has an independent chair and majority for these purposes. An auditor panel may also draw on an audit committee's advice in carrying out its functions, as of course may the authority.
- 2.3 The Government supports efforts by local authorities to achieve better value for money through joint procurement and we can confirm that several authorities may share an auditor panel. The Government intends that, for authorities opting-in to arrangements for national procurement, the requirement to appoint an auditor panel will not apply. We will consider with the sector guidance on the experience and skills to look for when recruiting panel members, and how best to recruit them.
- 2.4 The Government agrees that policies on non-audit work should build upon and reflect existing ethical standards for auditors, and will consider making this clear in further guidance for auditor panels.

3 Resignation and removal of auditors

- 3.1 The regulations set out the process to be followed if an authority wishes to remove its auditor, or if an auditor wishes to resign.
- 3.2 The Government expects that resignation or removal of an auditor will be a very rare occurrence. The timetable provided is intended to give a reasonable period for each part of the process to be completed, balanced with the need to provide for a timely subsequent reappointment.

4 Eligibility and regulations of auditors

- 4.1 This section sets the minimum criteria that a local audit qualification must meet in order to be recognised, and the thresholds for defining major local audits.
- 4.2 The Act allows the Secretary of State to make regulations setting out the minimum requirements that a qualification must meet in order to be recognised for the purposes of local audit. It is important to note that holding an appropriate qualification is necessary but not sufficient on its own for an individual to take a key responsibility for a local audit.
- 4.3 In mirroring the regulatory framework for statutory audit, the recognised supervisory bodies for local audit will have in place rules and practices which must comply with specific guidance issued by the Financial Reporting Council. This guidance covers the experience and other criteria that individuals must have before being permitted to take responsibility for carrying out a local audit. The names of those individuals assessed as competent to take primary responsibility for a local audit, on behalf of a firm eligible for local audit, will be published on the local audit register.
- 4.4 In applying the framework in the Companies Act 2006 to the regulation of local auditors, the Government believes that there are sufficient safeguards to ensure that individuals have appropriate technical skills and experience and that firms have in place appropriate support mechanisms to ensure that suitably experienced and qualified auditors deliver local audits to the right standard.
- 4.5 Draft regulations that define which bodies would have their audits defined as a 'major local audit', and therefore subject to audit quality monitoring from the Financial Reporting Council's Audit Quality Review team, seem appropriate to capture the audits of significant local bodies.
- 4.6 The Government's view is that the proposed income and expenditure thresholds will result in a population of a sufficient size to allow flexibility for the Financial Reporting Council to choose a sample of audits to review as part of its annual monitoring programme

5 Consideration of public interest reports or written recommendations by a relevant authority

- 5.1 This section relates to the arrangements for relevant authorities to consider public interest reports or written recommendations to bodies currently excluded from these requirements. The proposal set out the Government's intention to modify the requirement for Port Health Authorities, Internal Drainage Boards, and other persons or bodies referred to in paragraph 29 of Schedule 2 so that they must consider a Report or recommendation "as soon as is practicable", rather than within one month of receipt.
- 5.2 The consultation also proposed to apply existing legislation on arrangements for public meetings to bodies which are not currently subject to such legislation. The Government intends to modify the requirements as proposed since over 90% of respondents supported the proposal.

Accounts and audit regulations

- 5.3 There was broad support for maintaining the current provisions, though also suggestions for particular improvements to the regulations.
- 5.4 The Government intends to keep public inspection rights as they constitute an important local scrutiny and accountability measure. However, the Government also recognises that the low take-up of these rights may be due a lack of public information about them, as well as a consequence of the existing complex procedure for setting the inspection period. These issues will be addressed in the draft regulations proposed for consultation in May 2014.
- 5.5 The Government will give further consideration to the points raised by respondents in preparing the draft regulations for consultation.

6 The Government's next steps

- 6.1 The Government is working towards having finalised regulations on: the appointment of auditors and auditor resignation/removal, eligibility and regulation of auditors, and the conduct of local audit (consideration of report and recommendations of public interest reports). These will be ready to be laid in the summer.
- 6.2 The Government also plans to issue a consultation on the other draft regulations in May. This consultation will cover: further regulations associated with smaller authorities, regulations to allow for the establishment of a sector-led body to procure/appoint local auditors, and Accounts and Audit regulations. The intention is to lay these regulations later on this year.

AGENDA
ITEM

9

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

9

NAME OF COMMITTEE	Audit Committee
DATE	3 April 2014
REPORT TITLE	INTERNAL AUDIT: CHARTER & STRATEGY – 2014/15
Report of	CHIEF INTERNAL AUDITOR S.151 OFFICER
WARDS AFFECTED	ALL/CORPORATE

Summary of report:

The purpose of this report is to allow the Audit Committee to review and comment upon the Internal Audit Charter and Strategy for 2014/15.

The standards for proper practice for internal audit are contained in the Public Sector Internal Audit Standards (Institute of Internal Auditors and CIPFA). The Chief Internal Auditor maintains an Audit Manual which reflects these standards and sets out the procedures expected of the Council's Internal Audit team.

Both the PSIAS and Audit Manual require that the Charter and Audit Strategy are presented to the Audit Committee for review and approval. These documents are discussed in the report with the Charter attached at Appendix A and the linked Audit Strategy at Appendix B.

Financial implications:

None, within the existing budget for internal audit.

RECOMMENDATIONS:

That the Audit Committee review and approve the Internal Audit Charter and Strategy 2014/15 and discuss the proposals for independent external assessment as required by the United Kingdom Public Sector Internal Audit Standards (PSIAS).

Officer contact:

Allan Goodman, Chief Internal Auditor. *Email:* allan.goodman@swdevon.gov.uk
 Lisa Buckle, S.151 Officer and head of Finance & Audit

1. BACKGROUND

- 1.1 The Accounts and Audit Regulations, 2011 state that:
"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices."
- 1.2 For the purposes of the Regulations, proper practice is that contained in the Public Sector Internal Audit Standards (Institute of Internal Auditors (IIA) and CIPFA-Applying the International Standards).
- 1.3 The Chief Internal Auditor maintains an Audit Manual which sets out the standards and procedures expected of the team and this has been updated to reflect the requirements of the Public Sector Internal Audit Standards. It is not intended to present the latest version, Audit Manual 2014, to the Audit Committee because of the detailed nature of the document.
- 1.4 However both the Public Sector Internal Audit Standards and Audit Manual require that the Charter and Audit Strategy are presented to the Audit Committee for review and approval.

United Kingdom Public Sector Internal Audit Standards (PSIAS)

- 1.5 2013 saw the introduction of the new United Kingdom Public Sector Internal Audit Standards (PSIAS) that will apply across the whole of the public sector. The PSIAS are based on the Institute of Internal Auditors (IIA) Standards, with a limited number of additional requirements and interpretations that allow the PSIAS to be adapted for the public sector.
- 1.6 The main changes are:
 - Replacing the Terms of Reference (ToR) with a 'Charter';
 - The mandatory nature of the PSIAS;
 - Defining of the 'Board' in relation to internal audit;
 - Including the role of the Monitoring Officer and Head of Paid Service in Internal Audit;
 - Requirement for the Chief Audit Executive (for South Hams the Chief Internal Auditor) to be appropriately qualified;
 - Use of Computer Assisted Audit Techniques (CAATs) – to be part of the planned Counter Fraud work for 2014/15; and
 - Quality assurance programme to include an external assessment. Only when this is completed can reports carry the phrase 'conducted in conformance with PSIAS'.

Proposals for an External Assessment

- 1.7 In respect of the final bullet point above, the PSIAS state that any quality assurance external assessment must be discussed with the Audit Committee in relation to the form of the external assessment and the qualifications and independence of any proposed assessor.

- 1.8 Several of the Devon internal audit teams have approached a former Chief Internal Auditor and who is now a self employed consultant to carry out a validation of a self assessment, test checks and report on findings for a fee below £500. As the PSIAS require, this person is able to demonstrate competence in the professional practice of internal auditing and external assessment, and is a CIPFA qualified accountant.
- 1.9 An independent assessor, the PSIAS state, means not having a real or apparent conflict of interest and not being part of, or under the control of, the organisation to which the internal activity applies. This too applies to the person identified.
- 1.10 It is our intention to do the same, provided that the Audit Committee are content with this approach.

2. INTERNAL AUDIT: CHARTER - Appendix A

2.1 The 2014/15 Charter has been updated having regard to the IIA's 2013 document Applying the IIA International Standards to the UK Public Sector, and the CIPFA equivalent 'Local Government Application Note for the UK Public Sector Internal Audit Standards'.

2.2 The Charter reflects the following:

- Statutory Requirements;
- Internal Audit's Purpose, Authority and Responsibility;
- Ethics and Independence;
- Audit Management;
- Scope of Internal Audit's Work;
- Audit Reporting;
- Audit Committee;
- Quality Assurance and Improvement; and
- Non Conformance and Review

3. INTERNAL AUDIT STRATEGY 2014/15 - Appendix B

3.1 The Strategy is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities.

3.2 It should be kept up to date with the organisation and its changing priorities and communicate the contribution that Internal Audit makes to the organisation and includes:

- Internal Audit objectives and outcomes;
- How the Chief Internal Auditor will form and evidence his or her opinion on the governance, risk and control framework to support the system of Internal Control and Annual Governance Statement;
- How Internal Audit's work will identify and address significant local and national issues and risks;
- How the service will be provided, i.e. internally, externally, or a mix of the two; and

- The resources and skills required to deliver the Strategy.

3.3 The Charter says that the Strategy should be approved, but not directed, by the Audit Committee.

4. LEGAL IMPLICATIONS

4.1 Accounts and Audit Regulations 2011.

5. FINANCIAL IMPLICATIONS

5.1 None, within existing budgets.

6. RISK MANAGEMENT

6.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template, following these other considerations.

Corporate priorities engaged:	All
Statutory powers:	Section 111 Local Government Act 1972; and Accounts and Audit Regulations 2011.
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	No specific biodiversity issues arising from this report.
Sustainability considerations:	No specific sustainability issues arising from this report.
Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	IIA 2013 document - Applying the IIA International Standards to the UK Public Sector; CIPFA document - Local Government Application Note for the UK Public Sector Internal Audit Standards 2013; South Hams District Council Internal Audit Manual - 2014
Appendices attached:	Appendix A – Internal Audit Charter; Appendix B – Internal Audit Strategy 2014/15

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Requirements to provide an adequate and effective system of internal audit.	Audit's objectives and responsibilities may not reflect the Accounts and Audit Regulations requirements of providing an adequate and effective system of internal audit in accordance with the proper practices.	2	2	4	↔	An Audit Charter and Manual documenting the audit responsibilities and processes are maintained and reflect the Public Sector Internal Audit Standards which set out the requirements that internal audit is expected to achieve. The Internal Audit Strategy presented to the Audit Committee annually is a high level statement of how the internal audit service will be delivered in accordance with the Charter.	Chief Internal Auditor
2	Opportunity	To provide an adequate and effective system of internal audit operating in accordance with the proper practices contributes to the overall control environment (system of internal control and governance framework) and the Annual Governance Statement.	2	2	4	↔	An internal audit plan considering all areas of risk to the Council contributes to the overall governance, risk and control framework and the required Annual Governance Statement.	Chief Internal Auditor

Direction of travel symbols ↓ ↑ ↔



South Hams District Council

Internal Audit

Charter 2014/15

South Hams District Council **Internal Audit Charter 2014/15**

Statutory Requirements

The need for an Internal Audit Service is implied by the Local Government Act, 1972 (Section 151) which requires that:

"...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."

In the case of South Hams District Council, the Head of Finance & Audit is the Section 151 Officer. One of the ways this duty is exercised is through the work of Internal Audit.

Specifically, the Accounts and Audit Regulations, 2011 state that:

"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices."

For the purposes of the Regulations, proper practice is that contained in the United Kingdom Public Sector Internal Audit Standards (PSIAS) and adherence to these standards is mandatory.

Internal Audit's Purpose, Authority and Responsibility

The Institute of Internal Auditor's 2013 document 'Applying the IIA International Standards to the UK Public Sector' defines internal audit as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'

To meet this definition, Internal Audit undertakes examinations of systems in order to:

- establish the strengths and weaknesses in each system following a formal risk appraisal;
- test the controls to establish whether they are reliable or not; and
- report to management on the findings of such reviews in order to allow corrective action to be taken.

It is the responsibility of Internal Audit to review, appraise and report upon:

- the soundness, adequacy and application of internal control, risk management and corporate governance;
- the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from:

South Hams District Council **Internal Audit Charter 2014/15**

- a) fraud and other offences;
 - b) error; and
 - c) poor housekeeping, i.e. reviewing economy, efficiency and effectiveness with which resources are employed.
-
- the completeness, suitability, reliability and integrity of financial and other management information developed within the organisation (Data Quality);
 - the governance systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by management of the Council or externally. These include in particular the Council's Contract and Financial Procedure Rules;
 - risk management; and
 - whether operations are being carried out as planned and objectives and goals are being met.

Right of Access

Internal Audit will be given right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This right will be established in the Council's Financial Procedure Rules within the Constitution.

Ethics and Independence

Internal Audit should be independent of the activities that it audits.

Organisational Independence

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Chief Internal Auditor should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Head of Paid Service, the S.151 Officer and the Chair of the Executive and/or the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence. Any delegation of budgets for Internal Audit to service level must not compromise the scope of Internal Audit or the ability of Internal Audit to provide an annual opinion to the Audit Committee as part of the assurance for the Annual Governance Statement.

South Hams District Council **Internal Audit Charter 2014/15**

Status of the Chief Internal Auditor

The position of the Chief Internal Auditor in the management structure should reflect the influence he or she has on the control environment and he or she should not report to or be managed at a lower organisational level than the corporate management team.

The Chief Internal Auditor should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Ethics, and Independence of Auditors

Each Internal Auditor must adhere to the PSIAS Code of Ethics and perform their work with honesty, diligence and responsibility. They:

- must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- notwithstanding employment by the Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

Should any of the above situations arise the Chief Internal Auditor should immediately be informed. A record of any interest shall be recorded in the Council's register of such interests. The Chief Internal Auditor shall, thereafter, assess the need to arrange for alternative arrangements to carry out the assignment.

In the exceptional circumstances that an internal audit contractor is used, steps will be taken to avoid or manage any perceived conflicts of interest e.g. using a contractor who also provides non internal audit services to the organisation will be either avoided or managed accordingly. A record of any interest shall be recorded in the Council's register of such interests.

Audit Management

The PSIAS describe the role of the chief audit executive:

For the Council the chief audit executive is the Chief Internal Auditor, who will:

South Hams District Council **Internal Audit Charter 2014/15**

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- produce a Strategy to explain how the service will be delivered and reflect the resources and skills required by the Chief Internal Auditor and auditors and how these have been assessed;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

The Chief Internal Auditor is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The Chief Internal Auditor should also have the opportunity for free and unfettered access to the Head of Paid Service. To ensure the independence of the Chief Internal Auditor, performance assessments should be countersigned by the Head of Paid Service and feedback sought from the Chairman of the Audit Committee.

In addition the Chief Internal Auditor will meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

The Scope of Internal Audit's Work

Management has the responsibility to establish and assess risk and internal control so that its activities are conducted in an efficient and well ordered manner. Internal control comprises the whole system of procedures, both financial and otherwise, which are established by management to:

- safeguard its assets;
- ensure reliability of records;
- promote operational efficiency; and
- monitor adherence to policies and directives.

Internal Audit is an element of internal control, and its remit includes the entire control environment and governance framework.

If the Chief Internal Auditor or the Audit Committee considers that the level of audit resources or the Charter in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal audit, they should advise the Council accordingly.

South Hams District Council **Internal Audit Charter 2014/15**

The scope of audit work extends to services provided through partnership arrangements.

The Chief Internal Auditor will decide, in consultation with all parties, whether Internal Audit staff conduct the work to derive the required assurance themselves or rely on the assurances provided by other auditors. Where necessary, the Chief Internal Auditor will agree appropriate access rights in order to obtain the necessary assurances.

Audit Planning

Internal audit work must be adequately planned, controlled and recorded in order to achieve the agreed objectives, to establish audit priorities and to ensure the effective use of audit resources.

The Chief Internal Auditor will prepare a risk-based audit plan designed to implement the Audit Strategy.

In preparing the plan, the Chief Internal Auditor should take account of the adequacy and outcomes of the organisation's governance, risk management, performance management and other assurance processes. Where the outputs from those processes are not judged to be sufficiently reliable, the Chief Internal Auditor should undertake his or her own risk assessment and consult stakeholders on the draft plan and revise the plan if appropriate.

Internal Audit plans will, in so far as is practicable, link back to the Council's corporate objectives, be coordinated with other internal review programmes and assurance streams, and be communicated to the senior management team and Audit Committee.

Other Work - Consultancy

Internal Audit may also, where the resources and appropriate skills allow, provide additional services, including fraud-related and consultancy work. These services apply the professional skills of Internal Audit through a systematic and disciplined approach in line with the principles of the Council's Internal Audit Manual and may contribute to the opinion that Internal Audit provides on the governance, risk and control framework.

The Chief Internal Auditor must have regard to the impact on the approved audit plan and any potential conflicts of interest. The S.151 Officer must be informed and agree that such services are to be provided. Significant additional consultancy services not already included in the Audit Plan must also be approved by the Audit Committee.

Fraud and Corruption

South Hams District Council **Internal Audit Charter 2014/15**

It is management's responsibility to maintain the internal control system and to ensure that the organisation's resources are properly applied in the manner and on the activities intended. This includes responsibility for managing the risk of fraud and other illegal acts and informing the Chief Internal Auditor when fraud is suspected or identified.

The Chief Internal Auditor will feed such information into the audit team's work programme and the opinion on the governance, risk and control framework as appropriate. Internal Audit shall have regard to the possibility of such malpractice during their work and shall seek to identify serious defects in internal control, which might permit the occurrence of such an event.

However, Internal Audit has no responsibility for the prevention of fraud except for providing a counter fraud resource within the audit plan. Audit procedures cannot guarantee fraud or corruption will be detected.

Internal Audit will also act upon reports issued to it via the Council's Confidential Reporting (Whistleblowing) Policy.

Internal Audit shall upon discovery or upon gaining firm evidence, report reasonable suspicions to the appropriate level of management. The Council's Anti Fraud, Corruption and Bribery Policy and Strategy & related response plan requires that any suspected fraud or irregularity is reported to the Head of Finance & Audit for further investigation, and to the Monitoring Officer.

Once Internal Audit has completed its investigation it is management's responsibility, through reference if necessary to the Code of Conduct, to determine what further level of action to take and to ensure that controls are strengthened.

The framework for Internal Audit's involvement in fraud investigation and prosecution is set out in the Council's approved Anti Fraud, Corruption and Bribery Policy and Strategy.

Audit Reporting

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

Reports should be accurate, clear, concise, and constructive. They should be issued promptly and within laid-down timescales.

South Hams District Council **Internal Audit Charter 2014/15**

The aim of every internal audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment;
- to prompt management to implement the agreed actions for change leading to improvement in governance, risk management, the control environment and performance; and
- to provide a formal record of points arising from the audit and, where appropriate, of agreements reached with management, together with appropriate timescales.

Audit Committee

The Council's Audit Committee will act as the Board as defined in the United Kingdom Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 3 Delegation Scheme) under three headings: Audit Activity; Internal Control and Financial Reporting.

The shared interests of the Audit Committee and Internal Audit suggest that there needs to be an effective working relationship between them.

That relationship has three elements:

- the approval (but not direction) of, and monitoring of progress against, the internal audit strategy and plan;
- using the results of Internal Audit's work to satisfy some of the Audit Committee's objectives (and vice versa); and
- aligning the operations of the Committee and Internal Audit, as far as possible without compromising their individual responsibilities, to make best use of resources.

The Chief Internal Auditor must balance being appropriately accountable to the Committee, helping the committee to be effective, with relationships with others e.g. the S.151 Officer.

To facilitate the work of the Committee, the Chief Internal Auditor will:

- attend its meetings, and contribute to the agenda;
- participate in the Committee's review of its own remit and effectiveness;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;

South Hams District Council **Internal Audit Charter 2014/15**

- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework, and a summary of any unresolved issues.

The Chief Internal Auditor should also have the opportunity to meet privately with the Audit Committee.

Quality Assurance and improvement Programme

The PSIAS states that a quality assurance and improvement programme must include both internal and external assessments.

The basis for internal assessments is set in the Strategy at Appendix B.

External assessments must be conducted at least once in five years by a qualified, independent assessor from outside of the Council.

The Chief Internal Auditor must discuss any proposals with the Audit Committee but the assessment may be in the form of full external assessment, or a self assessment with independent external validation.

The scope of any external review must be agreed in advance with the S.151 Officer or Chairman of the Audit Committee, and may also cover the work of the Audit Committee itself.

The results will be reported to the Audit Committee in the Chief Internal Auditor's annual report, as well as progress against any improvement plan.

Charter - Non Conformance and Review

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Chief Internal Auditor will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.



South Hams District Council

Internal Audit

Strategy 2014/15

South Hams District Council **Internal Audit Strategy 2014/15**

Introduction

The Accounts and Audit Regulations 2011 state that:

"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices."

For the purposes of the Regulations, proper practice is that contained in the Public Sector Internal Audit Standards (PSIAS).

The PSIAS requires the Chief Internal Auditor to produce an Audit Strategy, which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities.
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
 - Internal Audit objectives and outcomes;
 - how the Chief Internal Auditor will form and evidence his or her opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - how Internal Audit's work will identify and address significant local and national issues and risks;
 - how the service will be provided, i.e. internally, externally, or a mix of the two; and
 - the resources and skills required to deliver the Strategy.
- Should be approved, but not directed, by the Audit Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

Internal Audit Objectives and Outcomes

The primary objective of the Internal Audit team is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the Council's Chief Internal Auditor aims to fulfil the statutory responsibilities for Internal Audit by:

- Identifying all of the systems, both financial and non financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- Creating an audit plan that will enable Internal Audit to carry out reviews covering all of the Audit Universe over a period of 5-years, prioritised through a risk assessment;
- Translating the 5-year audit plan into an annual plan by reassessing the risk for each audit area against emerging risks and the Council's Risk Registers;

South Hams District Council **Internal Audit Strategy 2014/15**

- Undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- Providing managers with an opinion on and recommendations to improve the effectiveness of risk management, control and governance processes as to:
 - the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds;
 - the completeness, suitability, reliability and integrity of financial and other management information developed within Council (Data Quality);
 - the systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by management of the Council or externally. These include in particular the Council's Contract and Financial Procedure Rules;
 - whether operations are being carried out as planned and objectives and goals are being met.
- Providing managers with advice and consultancy on risk management, control and governance processes;
- Liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- Providing the Council through the Audit Committee with an opinion on governance, risk and control framework as a contribution to the System of Internal Control and Annual Governance Statement.

Opinion on the Governance, Risk and Control Framework

As stated above one of the key objectives of Internal Audit is to communicate to management within the Council information that provides an independent and objective opinion on their governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. For routine work a written monthly report highlighting the 'opinions' communicated to managers and the performance of the Internal Audit team is to be provided by the Chief Internal Auditor copied to this officer. A formal monthly meeting must also be held to discuss issues arising and other matters.

The Chief Internal Auditor must report progress against the annual audit plan and any emerging issues and risks to the Audit Committee quarterly in a format agreed between the parties.

The Chief Internal Auditor must also provide a written annual report to the Audit Committee timed to support their recommendation to approve the Annual Governance Statement to the Council.

The Chief Internal Auditor's annual report to the Audit Committee must:

- (a) Include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;

South Hams District Council **Internal Audit Strategy 2014/15**

- (b) Disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) Draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the Annual Governance Statement;

And for the system of internal audit:

- (e) Compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- (f) Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

Planning including Local and National Issues and Risks

The audit planning process is subject to a risk assessment at all stages of the process: the 5-year plan; annual plan and individual audit reviews.

Prioritising the 5-year plan is completed using a risk assessment scoring methodology that takes account of: the £k value; inherent risk (definition below); political sensitivity; when last audited; and the impact on other systems. This forms the basis of the resources allocated to each planned audit area.

Updating the original risk assessment above to create an annual audit plan includes taking account of emerging risks, both local and national, through consideration of the:

- Council's Risk Registers;
- Minutes of the Council, Executive, Scrutiny Panels and Senior Management Team;
- Issues arising from the previous year's audit reviews, including those covering the Risk Management and Corporate Governance frameworks (Annual Governance Statement);
- National issues highlighted by professional bodies such as CIPFA's Finance Advisory Network (FAN), National Anti Fraud Network (NAFN) or the Council's external auditor; and
- Liaison with other Internal Audit teams on a formal and informal basis.

Further planning and risk assessment is required at the commencement of each individual audit review to establish the scope of the audit and the level of testing required.

This considers:

- The objectives of the activity being reviewed;
- When it was last audited, the results of that review and whether the recommendations made have been implemented;
- Any changes to the system since the last audit;
- The results of an analytical review (comparison of the data for the year of audit with the previous year's equivalent, taking account of expected changes);

South Hams District Council **Internal Audit Strategy 2014/15**

- The inherent risk: the level of risk to the Council of the system if there were no controls in place, such as the vulnerability to fraud and if there are any known incidents of fraud, and the means by which the potential impact of risk is kept to a minimum;
- The quality, experience and morale of officers involved in the system; and
- Impact on the control environment of service reviews by managers and the results of any relevant performance indicators.

Provision of Internal Audit

The Internal Audit service is provided on behalf of the Council by a small team of in-house auditors. Past benchmarking of the cost of Internal Audit when compared with other Councils has shown that it is a cost effective service that continues to meet the requirements of its stakeholders.

The Chief Internal Auditor has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is regularly reviewed and updated to reflect changes in working practices and standards.

Internal Audit Performance Management and Quality Assurance

External performance assessment is discussed in the Charter at Appendix A.

The PSIAS and the Council's Audit Manual state that internal performance, quality and effectiveness should be assessed at two levels:

- For each individual audit; and
- For the internal audit service as a whole.

The documents also state that the Chief Internal Auditor should have in place an internal performance management and quality assurance framework to demonstrate that the internal audit service is:

- (a) Meeting its aims and objectives;
- (b) Compliant with the PSIAS;
- (c) Meeting internal quality standards;
- (d) Effective, efficient, continuously improving; and
- (e) Adding value and assisting the organisation in achieving its objectives.

This internal performance management and quality assurance framework must include, but not be limited to:

- A comprehensive set of targets to measure performance, developed in consultation with appropriate parties. Performance measures should be included in any service level agreement. The Chief Internal Auditor should measure, monitor and report appropriately on the progress against these targets;
- Seeking user feedback for each individual audit and periodically for the whole service;

South Hams District Council
Internal Audit Strategy 2014/15

- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self assessment); and
- An action plan to implement improvements.

The following table shows the key performance indicators used by the service.

Table 1: Internal Audit Key Performance Indicators

	<u>Current Target, and, Frequency of Measure</u>
➤ Achievement of the annual audit plan.	95% Monthly
➤ Percentage of draft audit reports issued within 10 working days of the completion of the audit.	100% Annually
➤ Percentage of final audit reports issued within 10 working days of the discussion and agreement of the draft audit report.	100% Annually
➤ Customer Survey: Responses Received; Audit Planning - Consultation; Objectives Quality of Audit Report - Clarity; Accuracy; Value; Presentation	90% Annually 90% Annually
Communication - Feedback; Helpfulness; Professionalism; Timeliness.	90% Annually
➤ Overall cost, with/without oncosts/recharges	£ Annually
➤ Average cost per audit day: direct costs, and with/without oncosts/recharges.	£ Annually £ Annually
➤ The percentage of audit reports where the agreed recommendations were satisfactorily actioned, or follow up indicator to align with other audit teams to be agreed later with the Chairman and reported to the Committee.	90% Annually

Once collated the indicators must be reported to the S.151 Officer on either a monthly or annual basis in line with collection and to the Audit Committee quarterly and/or annually. Performance indicators should be presented with prior year's equivalent to aid comparison.

Performance indicators or targets may be amended from time to time with the prior agreement of the Audit Committee.

South Hams District Council **Internal Audit Strategy 2014/15**

The Chief Internal Auditor needs to ensure that the performance and the effectiveness of the service improve over time, in terms of both the achievement of targets and the quality of the service provided to the user.

West Devon Borough Council (Shared Service)

The Internal Audit team consists of 2.9 whole time posts, the Chief Internal Auditor, Senior Auditor and an Auditor. These posts are employed by South Hams District Council but staff costs are shared on a proportionate basis with West Devon Borough Council, based on the internal audit team delivering an audit plan of 115 days to West Devon Borough Council at a saving to them of £10,000 per annum. The shared internal audit service is providing an annual saving of circa £27,000 to South Hams District Council albeit with reduced assurance compared with pre shared service.

Separate Charter and Audit Strategy Documents are presented to the West Devon Borough Council's Audit Committee.

Increasing numbers of audits are either carried out as a joint exercise or separately but at the same time. The difference depending on how aligned the systems are and the level of audit budget is available at both sites.

Collaboration with Teignbridge District Council (Shared Service)

Several years ago the then Shared Service Joint Steering Group considered the proposals of a business case for a shared service presented by South Hams (SHDC), Teignbridge (TDC) and West Devon District/Borough Councils.

For SHDC and TDC the accepted proposal was for an extension of the collaboration between the internal audit teams with exchange of audit resources, skills, training and key documents.

Details are available in the related report to the Audit Committee (minute reference: A14/08). At this meeting members also accepted in principle of the mutual assurance of the high priority of both Councils' audit plan in times of crisis, subject to the specific approval of the Chairman. TDC Audit Committee made the same commitment.

This arrangement has not been formally rescinded by members and therefore continues.

Resources and Skills

Resources

The PSIAS and the Council's Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management;

South Hams District Council **Internal Audit Strategy 2014/15**

- The Chief Internal Auditor should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

The approved Internal Audit establishment for the Council consists of 2.9 whole time posts, the Chief Internal Auditor (33.5 hours per week), Senior Auditor and an Auditor. Internal Audit is not immune to the financial pressures on the Council, but must balance any savings against the principles of this Strategy and the Charter. The Chief Internal Auditor's post has now been formally reduced to 33.5 hours, which is the level operated since 2012/13. To minimise the impacts on the assurance provided to the Council, the target for completion of 90% of the annual audit plan will be increased to 95% and with such it is considered that the level of staffing will prove to be adequate.

Specialist Areas

From time to time, additional resources will be brought in to provide assurance on certain specialist areas such as Value Added Tax (VAT) and Income Tax (PAYE) at the discretion of the S.151 Officer in consultation with the Chief Internal Auditor. The Audit Committee will be kept informed.

Shared Services - West Devon and Teignbridge

No additional staff resource has been made available to the South Hams team in providing **West Devon Borough Council** with 115 days of service. This arrangement was originally enabled in 2010/11 by reducing the frequency of lower priority audit work to once in 5 years from the previous 3 year duration and critically examining the approach to some of the significant financial systems, such as benefits, with the external auditor. The decision was taken following liaison with then external auditor, the Audit Commission, and ensuring that the then CIPFA Code of Practice did not prevent such a change.

The regular reassessment of the plan, based on emerging risk, will bring forward work on areas covered once in 5 years if significant changes occur.

Dealing with Alleged Fraud at Either Council

The main threat to completing the targeted % of the annual audit plan is the requirement for Internal Audit to investigate fraud. A contingency budget is built into the audit plan to provide cover for such eventualities, as well as other unexpected tasks such as advice to managers on control or internal financial regulations, contributions to the setting up of new systems or unexpected additional work on planned audits.

In extreme cases the contingency budget may prove insufficient for large scale investigations. In the circumstances where this occurs and where there is likely to be an impact on the remainder of the annual audit, the Chief Internal Auditor must discuss the situation with the S.151 Officer to enable a decision to be made to seek additional temporary resources if appropriate. The same comment applies to other staffing shortages brought about by long term sickness absence, vacant posts etc.

Mutual Assurance for/by Teignbridge District Council

South Hams District Council **Internal Audit Strategy 2014/15**

As discussed above under the title 'Provision of Internal Audit', the Audit Committee has accepted (as has TDC's Audit Committee) that the teams will mutually assure the high priority work of each others plan in the time of crisis, with the specific approval of the Chairmen. This has not been formally rescinded by members at either Council.

In practical terms, such work will reduce the available resources for low priority audit work for the team providing assistance. However, the outcome may be the delivery of plans to an acceptable level at both Councils, without the additional cost of external resources. It is the responsibility of the audit managers of SHDC and TDC, in association with the S.151 Officer and the Chairman of the Audit Committee, to ensure that making additional resources available to the other team does not result in a shortfall in audit coverage that may undermine the System of Internal Control.

Skills

The Chief Internal Auditor's duty is to recruit staff with the appropriate professional background, personal qualities and potential. He or she is responsible for ensuring that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes.

Internal Audit staff must also be properly trained to fulfil all their responsibilities. The Chief Internal Auditor will periodically assess individual auditors against these predetermined skills and competencies using the Council's formal appraisal system.

Any training or development needs identified will be included in an appropriate ongoing development programme that is recorded and regularly reviewed and monitored both within and outside of the appraisal process. A copy of the appraisal training programme will be sent to personnel with the appraisal as the corporate system requires.

Time will be allowed within the annual audit plan to allow internal audit staff to receive the relevant training.

In addition, the Chief Internal Auditor will allocate work to reflect the skills and experience required for the specific task, although it is essential that a balance is struck between knowledge and client relationships built through continuity and the need for audit staff to develop by auditing areas that they have not previously covered.

In some circumstances, there may be a skill shortage within the Internal Audit team as a whole e.g. specialist audit areas such as technical computer audit. Where this applies the advice of specialists should be sought from within the Council, from colleagues at Teignbridge District Council or other neighbouring Councils or the external auditor.

In extreme situations, the services of a specialist may need to be bought in but the Chief Internal Auditor will only do this with the consent of the S.151 Officer. The Audit Committee will be informed in such cases.

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AGENDA ITEM 10

SOUTH HAMS DISTRICT COUNCIL

AGENDA ITEM 10

NAME OF COMMITTEE	AUDIT COMMITTEE
DATE	3 April 2014
REPORT TITLE	INTERNAL AUDIT - PLAN FOR 2014/15
Report of	CHIEF INTERNAL AUDITOR, and S.151 OFFICER
WARDS AFFECTED	ALL

Summary of report:

Internal audit is ‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’ – *Public Sector Internal Audit Standards*.

The purpose of this report is to provide Members with the opportunity to review and comment upon the internal audit plan for 2014/15. The plan aims to optimise the use of the scarce and finite audit time available and enable the Chief Internal Auditor to provide an opinion on the adequacy, effectiveness and reliability of the Council's system of internal control and governance framework, which will subsequently feed into the Annual Governance Statement.

Financial implications:

None, within existing budgets for Internal Audit provision.

RECOMMENDATIONS:

That the Audit Committee review and comment upon the Internal Audit Plan 2014/15 and the linked 2014/15 Computer Audit Plan.

Officer contact:

For further information concerning this report, please contact:
Allan Goodman, Chief Internal Auditor allan.goodman@southhams.gov.uk
Lisa Buckle, S.151 Officer and Head of Finance & Audit

1. BACKGROUND

- 1.1 The Accounts and Audit Regulations (latest 2011) and Section 54 of the Local Government Act 1972 provide the legal basis for the establishment of internal audit in local authorities. Paragraph 5 of the Act states that 'A relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems'.
- 1.2 The 'CIPFA Application Note for the United Kingdom Public Sector Internal Audit Standards' defines internal audit: Internal audit is 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
- 1.3 The Standards require that the purpose, authority and responsibility of the service is set out in a Charter, an updated version of which is presented at this Committee meeting.
- 1.4 In addition, the Internal Audit Strategy states, at a high-level, how the internal audit service will be delivered and developed in accordance with the Terms of Reference. The Internal Audit Strategy 2014/15 accompanies this plan but under separate cover.

2. INTERNAL AUDIT PLAN FOR 2014/15

- 2.1 The internal audit plan for the forthcoming year 2014/15 is based on the 5 year plan.

5-year Audit Plan 2010/11 to 2014/15
- 2.2 A 5-year plan has been drawn up to cover the period 2010/11 to 2014/15 which was presented to and accepted by the Audit Committee in April 2010.
- 2.3 Once the relevant systems and processes were identified an assessment of risk was applied based on a statistical methodology derived from an Institute of Internal Auditors approach, that took account of the:
 - Value of transactions;
 - Complexity of the system;
 - Inherent risk (vulnerability to fraud or error);
 - Political sensitivity;
 - Time since last audit; and
 - Impact on other systems.
- 2.4 The resulting scores formed the basis of the priority rating, and the number of days to be spent on each system as a proportion of the days available.
- 2.5 A rating of 1 is audit work carried out annually as required in cases of high internal risk plus external influences such as the External Auditor or other

inspection regimes; 2 is to an annual audit as a result of the assessed risk to the Council; and, 3 is a lower audit risk and frequency of coverage of once in five years.

Annual Audit Plan 2014/15 (Appendix A)

2.6 The 2014/15 annual plan has been developed from the 5-year Audit Plan 2010/11 to 2014/15 discussed above following an updated risk assessment using the criteria discussed at 2.3 to 2.5 above. In addition work is carried out to identify any emerging risks using information from: the Council/Committee minutes; external sources such as CIPFA and the Audit Commission; the Council's risk register; and cumulative audit knowledge. Heads of Service were also invited to contribute to the annual audit plan.

2.7 Other factors that result in a variation to the original 5-year plan are:

- Where there has been, or expected to be, significant changes to a system e.g. new computer software;
- Legislative changes; and
- Adjustment of days for some individual audits to reflect the practicalities of carrying out the work;

2.8 Key differences with the 5 year audit plan are:

Removed: Car Loans 6 days – currently no car loans;
Dartmouth Town Council 5 days – arrangement ended;
Performance Indicators 25 days – change to audit requirements for PIs;
Culture and Heritage – no longer a separate finance budget and covered with other budget heads as appropriate; and
Cost of Council Tax Collection 5 days – limited benefit to the Council given the forthcoming Transformation Programme

Added: Sustainability 10 days – deferred to 2014/15;
West Devon Borough Council 35 days – additional audit coverage for West Devon as part of shared service, with related saving to South Hams;
Specific Counter Fraud activities 10 days – as previously reported to the Committee; and
T18 Transformation Programme 5 days – new risk for the Council.

2.9 The 2014/15 audit plan also sets out the proposed quarters in which the audit work will take place, although in certain areas this will always be flexible. In normal circumstances the timing and detailed work plans will be drawn up following consultation with the client managers.

Audit Plan - Flexibility

2.10 Given the changes proposed by the Council, it is important that the audit plan is flexible. The plan as always contains a Contingency budget of 55 days for the

year. However, should there be a requirement for audit resources to be directed to emerging risks, resources will be taken from Section 3 of Appendix A 'Other Systems and Audits'. Sections 1 and 2 will be completed without fail. The Audit Committee will be kept informed.

Computer Audit Plan 2014/15 (Appendix B)

- 2.11 For 2014/15, the computer audit work is to be resourced internally from the annual audit plan (26 days), and linked wherever it is practical, to the work in the main audit plan.
- 2.12 The intention is to maintain the coverage set out in the 5-year Computer Audit Plan presented to the Audit Committee in April 2010.

3. LEGAL IMPLICATIONS

- 3.1 In accordance with the Constitution, it is the responsibility of the Audit Committee to consider the internal audit plan for the forthcoming year (Appendix A).
- 3.2 There are no direct legal implications of the internal audit plan.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications of the internal audit plan outside of the existing budgets.

5. RISK MANAGEMENT

- 5.1 The risk management implications follow this table:

Corporate priorities engaged:	The report meets all of the corporate priorities
Statutory powers:	Accounts and Audit Regulations 2011 Section 54 of the Local Government Act 1972
Considerations of equality and human rights:	There are no considerations required of equality and human rights for this report
Biodiversity considerations:	There are no biodiversity considerations for this report
Sustainability considerations:	There are no sustainability considerations for this report
Crime and disorder implications:	There are no crime and disorder considerations for this report
Background papers:	Internal Audit Plan 2014/15 Charter and Strategy 5-Year Internal Audit Plan – Audit Committee June 2010
Appendices attached:	Appendix A – Internal Audit Plan 2014/15 Appendix B – Computer Audit Plan 2014/15

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Opportunity relating to the provision of assurance to Members, managers and other stakeholders.	The audit plan and its coverage contribute to the Council's system of internal control and therefore provide reasonable assurance that service objectives will be met.	2	2	4	↔	<p>Audit plans include all areas of potential coverage and direct audit resources to the areas most beneficial to the Council and so scarce audit resources are used in a way that provides the necessary assurance.</p> <p>The audit plan is reassessed through the year to compare emerging risks with the original risk assessment. Any emerging risk that is considered to require audit coverage during the year is included at the expense of the lowest priority areas.</p> <p>The revision is reported to senior managers including the S.151 Officer and Audit Committee.</p>	Chief Internal Auditor; S.151 Officer
2	Opportunity relating to Internal Audit as a shared service	A shared internal audit service between South Hams and West Devon provides the opportunity for both Councils to employ a dedicated professional team at a reduced cost to the council tax payer.	2	2	4	↔	<p>Improved efficiency in audit coverage by aligning, where local circumstances permit, audit plans.</p> <p>Auditors are able to make use of research on a given topic for more than one audit, and share good practice observed with managers at both Councils.</p>	Chief Internal Auditor; S.151 Officer

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
3	Internal Audit forms part of the Council's system of internal control	The audit plan and its coverage may not contribute to the Council's system of internal control as required by the related guidance.	2	2	4	↔	<p>Identification of the Audit Universe and subsequent assessment of risk. The audit plan is presented for review and comment to senior managers (including the S.151 Officer), Audit Committee and the external auditor. The Audit Committee's role includes monitoring performance against the plan and action on significant issues identified. The audit plan is linked to the Council's priorities.</p>	Chief Internal Auditor; S.151 Officer
4	Audit plans are risk based.	Audit plans do not direct audit resources to the areas most beneficial to the Council and so scarce audit resources are kept away from areas of high risk.	2	2	4	↔	<p>An assessment of risk was applied to an 'Audit Universe', based on a statistical methodology that took account of the:</p> <ul style="list-style-type: none"> • Value of transactions; • Complexity of the system; Inherent risk (vulnerability to fraud or error); • Political sensitivity; • Time since last audit; and Impact on other systems. 	Chief Internal Auditor; S.151 Officer

Direction of travel symbols ↓ ↑ ↔



**South Hams
District Council**

INTERNAL AUDIT – ANNUAL PLAN 2014/15

Internal audit is ‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’ – Public Sector Internal Audit Standards.

Objectives: the audit plan upholds the Council’s objectives and commitments as with every audit we are seeking continuous improvement of services, making best use of available resources to fulfil priorities and deliver services with skill, competence and integrity.

1) FUNDAMENTAL SYSTEMS

Fundamental systems are those that the Council’s external auditor considers to be so important that a failure in key controls may lead to their withholding or qualifying the opinion on the Council’s statement of accounts. We therefore need to audit these systems on an annual basis; days based on the risk score, benchmarking and experience.

	Priority Rating	Council Objective		Proposed Quarter	2014/15 Days
Main Accounting System and Budgetary Control	1	All	Accounts for the Council’s activities and assists in meeting the budgets set by the Council. Linking systems and audits: Accounts: All financial systems; Budgets: Council Tax (Setting); Computer audit: Access to system.	4	13
Payments	1	All	Pays the Council’s creditors promptly and accurately and processes other internal debit items. Linking systems and audits: Main Accounting; Treasury Management; Council Tax (Refunds); Business Rates (NDR) Refunds; Housing Benefits; Petty Cash. Computer audit: Access to system. Audit to include the controls over the use of purchase cards.	2	11
Payroll	1	All	Ensures accurate calculation and timely payment of salaries and wages to employees. Linking systems and audits: Main Accounting; Computer audit: Access to system. Audit to include any redundancy payments.	3	10
Council Tax	1	All	Calculates, bills, accounts for and assists in recovery of cash paid by Council Tax payers. Linking systems and audits: Main Accounting; Housing Benefits; Cash Collection; Computer audit: Access to system.	3	14

Page 87

Continued Overleaf

FUNDAMENTAL SYSTEMS (Continued)

	Priority Rating	Council Objective		Proposed Quarter	2014/15 Days
Business Rates (NDR)	1	All	Calculates, bills, accounts for and assists in recovery of cash paid by NDR payers. Linking systems and audits: Main Accounting; Council Tax; Creditors; Computer audit: Access to system.	3	12
Benefits	1	All	Ensures accurate calculation and timely payment of Housing Benefits. Linking systems and audits: Main Accounting; Council Tax; Creditors; Computer audit: Access to system.	4	15
Benefit Debtors	1	All	Review of system of recovery for amounts due relating to Housing Benefits. Linking systems and audits: Main Accounting; Council Tax; Creditors; Computer audit: Access to system.	4	5
Debtors	1	All	Invoices, accounts for and assists in recovery of cash due to the Council. Linking systems and audits: Main Accounting; Cash Collection; Computer audit: Access to the system	2	10
Treasury Management	1	All	Manages the Council's cash flow and invests monies to maximise the interest earned. Linking systems and audits: Main Accounting; Creditors; Cash Collection; Computer audit: Access controls re Financial Director software.	3	4
Capital Expenditure and Receipts	1	All	Audit of receipts and expenditure of a capital nature to ensure that monies spent in line with the Capital Programme and Contract and Financial Procedure Rules.	4	11
TOTAL: FUNDAMENTAL SYSTEMS					105

Page 88

OTHER SYSTEMS AND AUDIT WORK

The planned audit work is presented as 'Other Essential' audits where there is requirement for them to be completed annually, and 'Other' those completed once in 5 years Both are in service group order.

The 'Priority Rating' is derived from a statistical assessment of risk that includes the value of transactions, complexity, susceptibility to fraud or error, last audit coverage, impact on other systems and political sensitivity. A rating number of 1 is audit work carried out annually as required in cases of high internal risk plus external influences such as the External Auditor; 2 is an annual audit as a result of the assessed risk to the Council; and, 3 a lower audit risk and frequency of coverage (once in 5 years). Those audits brought forward from last year will have their rating enhanced with a plus sign (+).

Council's Priorities The link to the Council's published priorities. Proposed Quarter column shows the proposed quarter of the year in which a specific audit will be started. It has been drawn up giving regard to known audit needs, service and external pressures. However, the plan is flexible enough to take account of unforeseen matters for both internal audit and service managers, so the proposed quarter is effectively indicative.

Continued Overleaf

2) OTHER ESSENTIAL SYSTEMS AND AUDIT WORK

	Priority Rating	Council Objective		Proposed Quarter	2014/15 Days
ASSETS					
Salcombe Harbour	2	Various	Audit work based on a sub-plan, having regard to emerging risks, to ensure coverage of all harbour activities over a period of 5 years.	3	10
Dartmouth Lower Ferry	2	Various	Audit work based on a sub-plan, having regard to emerging risks, to ensure coverage of all ferry activities over a period of 5 years.	3	9
Sub-Total					19
ENVIRONMENT SERVICES					
Street Scene, including Car and Boat Parking	2	Various	Audit covers all aspects of the Street Scene services including car parking based on a rolling sub-plan, having regard to emerging risks, with pay and display, season tickets and standard charges as key areas.	4	9
Sub-Total					9
ENVIRONMENTAL HEALTH & HOUSING					
Private Sector Housing Renewal	2	Homes	Coverage will include system for providing disabled facilities grants & other related grant and loan schemes, with a counter fraud view.	3	8
Sub-Total					8
ICT & CUSTOMER SERVICES					
Performance Indicators, and Data Quality	2	All	Our work on performance indicators is a requirement of the Council's Data Quality Strategy.	2	5
Use of the Internet & E-Mail	2	All	Review of the use of the Internet & E-mail with the aid of dedicated software, to ensure the Council's policies are adhered to.	2	10
Computer Audit	2	All	Computer audit subject to a separate planning process (Appendix B) .	4	26
Sub-Total					41
OTHER					
Audit of Government Grants – RDPE Rural Community LAGs	2	Various	Quarterly and ad hoc audit and submission of grant claims prepared by Devon Renaissance on behalf of the 'Accountable Body' (the Council).	1/2/3/4	7
Audit of Government Grants – Coastal Communities Fund	2	Various	Quarterly and ad hoc audit and submission of grant claims prepared by Devon Renaissance on behalf of the 'Accountable Body' (the Council).	1/2/3/4	20

Continued Overleaf

South Hams District Council Internal Audit: 2014/15 Audit Plan

Appendix A

OTHER ESSENTIAL SYSTEMS AND AUDIT WORK (Continued)

	Priority Rating	Council Objective		Proposed Quarter	2014/15 Days
OTHER (continued)					
Follow Up Of Previous Year's Audits	2	Various	A revisit of the previous year's recommendations to ensure that the agreed actions have been implemented and are working satisfactorily.	1/2/3/4	10
Contingency (unplanned)	2	Various	An allowance for the numerous unexpected audit tasks and control advice to managers, including investigation of any suspected irregularities.	1/2/3/4	55
Sub-Total					92

NON-FINANCIAL/CORPORATE

Corporate Governance	2	All	Audit of the Council's Local Code of Corporate Governance and subsequent report with the S.151 and Monitoring Officer to the Audit Committee. To include Ethics, Gifts and Hospitality, and Equality issues. Links to the Annual Governance Statement.	4	8
Exemptions to Contract Standing Orders or Financial Instructions	2	All	To review applications from managers for exemption to Contract Procedure Rules in certain circumstances, normally in respect of procurement of goods and services.	1/2/3/4	5
System of Internal Control (SIC) and Annual Governance Statement (AGS)	2	All	Internal Audit in its annual report to the Council must include an opinion on the internal control environment and bring to the Council's attention any issues that will impact on the preparation of the AGS. (Control Environment = achievement of objectives, policy and decision making, complying with policies etc., risk management, financial management, governance, value for money and performance management) The AGS is to be approved at a meeting of the Council on the recommendation of Audit Committee, who should seek to satisfy themselves that they have obtained sufficient, relevant and reliable evidence to support the disclosures made.	1	6
Risk Management	2	All	Audit of the Council's risk management process as required by the Council's Strategy. Links to separate Advice to Other Groups (Risk Management Group).	4	3
Sub-Total					22

Continued Overleaf

OTHER ESSENTIAL SYSTEMS AND AUDIT WORK (Continued)

	Priority Rating	Council Objective		Proposed Quarter	2014/15 Days
SHARED AUDIT SERVICES					
West Devon Borough Council	1	All	Internal audit service based on a risk based audit plan agreed with the S.151 Officer and WDBC Audit Committee.	1/2/3/4	115
Teignbridge District Council	-	All	Exchange of audit knowledge and resources where mutually beneficial, as highlighted in previous reports to members. Mutual assurance of significant areas of each Councils' audit plans agreed by the Audit Committees.	-	-
Sub-Total					115
TOTAL: OTHER ESSENTIAL					306

3) OTHER SYSTEMS AND AUDIT WORK

	Priority Rating	Council Objective		Proposed Quarter	2014/15 Days
ASSETS					
Cemeteries and Burials	3	Various	Review of the responsibilities of the Council including expenditure and any income. Discussed at Audit Committee January 2013. Last audited 2006/07.	2	4
Coast Protection	3	Various	Review of the expenditure used for activities relating to Coast Protection and the Council's legislative responsibilities. Last audited 2008/09.	1	8
Flood Defence and Land Drainage	3	All	Review of the expenditure used for activities relating to drainage and the prevention of flooding such as flood defences, advice and information. Last audited 2007/08.	1	6
Environmental Initiatives including AONB	3	All	Audit of income and expenditure plus the governance relating to AONB. Last audited 2008/09.	2	6
Land and Investment Properties	3	All	Audit will consider controls over both expenditure and related income. Last audited 2007/08. Links to Asset Management audit.	2	7
Sub-Total					31
CORPORATE SERVICES					
Democratic Representation including Members Allowances	3	Various	Audit to cover expenditure including the latest approved members' allowances scheme and expense claims to confirm that payments are made correctly and promptly. Last audited 2008/09.	1	6
Electoral Registration	3	All	Review of the income, expenditure and processes for the preparation and maintenance of the register of electors. Last audited 2007/08.	3	6
Sub-Total					12
ENVIRONMENTAL HEALTH & HOUSING					
Community Safety	3	Various	Review of the requirements and the Council's arrangements for community safety. Last audited in 2006/07.	1	6
Housing Standards	3	Homes	Review of the expenditure used to ensure that private sector residents live in safe and sanitary accommodation. Last audited in 2007/08.	2	6
Housing Strategy	3	Homes	To include review of housing needs assessments; strategic plans e.g. energy conservation. Last audited in 2008/09.	1	6

Continued Overleaf

OTHER SYSTEMS AND AUDIT WORK (Continued)

	Priority Rating	Council Objective		Proposed Quarter	2014/15 Days
ENVIRONMENTAL HEALTH & HOUSING					
Public Health including Water Sampling	3	Environment	Review of income and expenditure in relation to the Council's responsibilities, including water sampling and smoke free laws. Last audited 2008/09.	2	6
Pest Control	3	Environment	Overview of the external arrangement, last undertaken 2008/09.	1	1
Sub-Total					25
ENVIRONMENT SERVICES					
Grounds Maintenance	3	Environment	Review of the controls relating to grounds maintenance arrangements. Last audited 2008/09.	2	8
Beach Cleaning	3	Environment	Review of how the Council carries out its responsibilities in relation to the cleaning of beaches, to include any external arrangements. Last audited 2008/09.	1	6
Sub-Total					14
FINANCE & AUDIT					
Allocation of HQ Costs	3	All	A review of the controls over allocating HQ costs to ensure that CIPFA guidelines are being met.	2	4
Non Distributed Costs including Redundancies	3	All	Review of the non distributed costs codes which includes corporate expenditure such as bank charges, external audit fees. Last audited 2008/09. Linking with Payroll and T18, may also include redundancies.	3	5
Sub-Total					9
ICT & CUSTOMER SERVICES					
Design Office	3	All	Audit of the systems in place to control all aspects of the design and drawing office's business. Last audited 2007/08.	1	6
Local Welfare Support	3	Various	Overview of the arrangements for this new but limited funding scheme. Joint audit with WDBC.	1	2
Sub-Total					8

Continued Overleaf

OTHER SYSTEMS AND AUDIT WORK (Continued)

	Priority Rating	Council Objective		Proposed Quarter	2014/15 Days
PLANNING, ECONOMY & COMMUNITY					
Development Control Enforcement	3	Various	Review of systems relating to the monitoring and enforcing of planning conditions. Last audited 2007/08.	1	6
Economic Development	3	Economy	To review the controls over income and expenditure to ensure that the budget provides value for money in achieving the objectives for Economic Development. Last audited 2007/08.	1	5
Sub-Total					11
CORPORATE/NON-FINANCIAL					
Advice to Information Compliance and Other Groups	3	All	Attending several officer groups to provide advice, including Risk Management Group and Information Compliance Group.	1/2/3/4	3
Asset Management	3	Various	Audit to establish the progress being made by the Council in the management of its assets. Last audit at SHDC 2008/09.	2	7
Shared Services	3	All	A review of the process for the recharging of shared services with WDBC.	1	5
Sustainability	3	All	Audit in line with the audit programme produced by CIPFA. Last audited 2009/10. Joint audit work with WDBC.	1	4
T18 Transformation Programme	3	All	Audit work required relating to this key project for the Council. Joint audit with WDBC.	1/2/3/4	5
Sub-Total					24
COUNTER FRAUD					
Specific Counter Fraud Work	3	All	As highlighted by the counter fraud arrangement checklists previously presented to the Audit Committee. A separate plan will be drafted and the Committee informed of the work carried out in the future presentation of the necessary checklists to Members.	2	10
Sub-Total					10
TOTAL: OTHER SYSTEMS AND AUDIT WORK					144

Page 94

South Hams District Council Internal Audit: 2014/15 Audit Plan

Appendix A

AUDIT MANAGEMENT		Days
Audit Administration	-	20
Audit Management, including Audit Planning	-	20
Audit Monitoring Reports to Management and the Audit Committee	-	15
Training	-	15
Miscellaneous e.g. corporate documents etc.	-	5
TOTAL		75
TOTAL RESOURCES REQUIRED 2014/15 From totals above		630

RESOURCES AVAILABLE		2014/15 Days
Chief Internal Auditor		234
Senior Auditor		261
Auditor		261
Sickness	Basis of Estimate: CIPFA Guidance plus 10	-18
Bank Holidays		-24
Annual Leave		-84
TOTAL RESOURCES AVAILABLE		630

Allan Goodman, Chief Internal Auditor

March 2014



SOUTH HAMS DISTRICT COUNCIL

INTERNAL AUDIT

ANNUAL COMPUTER AUDIT PLAN – 2014/15

**South Hams
District Council**

AUDIT AREAS	Priority Rating	Council Objective	Proposed Quarter	2014/15 Days
Installation & Healthcheck, including: Using CIPFA Guidance – <ul style="list-style-type: none"> • Database Management • Environment Controls • Input Data and Running Files • Access control • Back-up • Disaster Recovery 	1	All	4	7
Computer & Network Management & Security Using CIPFA Guidance - <ul style="list-style-type: none"> • PC Controls; • Network Controls. 	3	All	4	9
Change Control Using CIPFA Guidance - <ul style="list-style-type: none"> • Program changes; • Development and Maintenance. 	3	All	4	7
Other Reviews <ul style="list-style-type: none"> • Follow up of prior year reports; • Internet Controls; and • Other – through liaison with the external auditors and updating of the risk assessment. 	2	All	4	3
TOTAL RESOURCES REQUIRED				26

RESOURCES AVAILABLE	2014/15 Days
Computer Audit in Main Audit Plan (Appendix A)	26
TOTAL RESOURCES AVAILABLE	26

The computer audit plan was also derived from an audit assessment of all of the systems within the Council requiring audit, 'the Computer Audit Universe'. Once these systems were identified an assessment of risk was applied, based on a statistical methodology in the same way as the main audit plan (see Appendix A). The 5-year computer audit plan is based on the CIPFA 'Computer Audit Guidelines'. The priority rating has been simplified. Work will be carried out either annually or once twice in 6 years depending on the audit risk. Our computer audit plan also upholds the Council's aims and priorities as with every audit we are seeking continuous improvement of services, making best use of available resources to fulfil priorities and deliver services with skill, competence and integrity.

NAME OF COMMITTEE	Audit Committee
DATE	3rd April 2014
REPORT TITLE	INTERNAL AUDIT – PROGRESS AGAINST THE 2013/14 PLAN
Report of	Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to inform members of the principal activities and findings of the Council’s Internal Audit team for 2013/14 to the 28th February 2014, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2013/14 annual audit plan, reviewed by this Committee in April 2013.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee considers the progress made against the 2013/14 Internal Audit Plan and comment on the summary of issues arising.

Officer contact:

Allan Goodman, Chief Internal Auditor - 01803 861375
 Email: allan.goodman@swdevon.gov.uk

1. BACKGROUND

1.1 The Terms of Reference (Charter) for Internal Audit were presented to the Audit Committee in April 2013 (Minute reference A.28/12) and covers:

Purpose, Authority and Responsibility;

Independence;
 Audit Management;
 Scope of Internal Audit's Work;
 Audit Reporting; and
 Audit Committee.

- 1.2 The Audit Strategy was updated for 2013/14 and was approved by the Audit Committee in April 2013 (Minute reference A.28/12 refers). It covers:

Objectives and Outcomes;
 Opinion on Internal Control;
 Local and National Risk Issues;
 Provision of Internal Audit; and
 Resources and Skills.

Public Sector Internal Audit Standards (PSIAS)

- 1.3 At the September 2013 Audit Committee members accepted the view that the above documents remained fit for purpose and will be brought strictly into line with the new Public Sector Internal Audit Standards for 2014/15 (Agenda Item 10: Minute reference A.17/13 refers).

2. PROVISION OF INTERNAL AUDIT AND PROGRESS – 2013/14

Audit Plan 2013/14

- 2.1 The 2013/14 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2013 (A.29/12 refers).

Local and National Risk Based Amendments to the Plan

- 2.2 The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated either through the contingency days or by changes to the plan, depending on the significance.
- 2.3 There is one proposed amendment to the Plan accepted at the September 2013 Committee:

Audit	Plan Days 2013/14	Plan Days Update	Reason for Change
Leisure Contract (Management of)	0	9	The Chief Internal Auditor has accepted the Corporate Risk Management Group's request to revisit this high profile contract. Last audited in 2011/12.
Allocation of HQ Costs	4	0	Low priority audit: in part covered by shared services recharge audit, and lesser coverage in the Main Accounting System.
Council Tax Collection	5	0	Low priority audit: can receive lesser coverage in the Council Tax audit if time allows.

- 2.4 Overspends on the estimated time for individual audits occur as the time in the audit plan is an estimate based on risk and generally not the amount of time needed to do the work required. All efforts are made to 'cut our cloth according to our means', but in some circumstances where control issues are identified, a risk based assessment is carried out. This constitutes consideration, depending on the significance, of whether additional time should be spent and if so where the work is to be charged, either contingency or by change to the audit plan.
- 2.5 The following table sets out the significant overspends on time budgets (3.5 days or more) on individual audits as totalled in Appendix A, and the reasons for the overrun:

Audit	Planned Days	Days Used	Reason for Overspend
-	-	-	None over 3.5 days
-	-	-7	As para 2.4 - Culmination of overspends below 3.5 days for finalised audits
Total	-	-7	Underspend to date

Resources and Skills

- 2.6 Sickness to the 28th February 2013 is 4 days (2012/13 equivalent 13 days).
- 2.7 In 2013/14 to date, training has been or is being provided to the audit team as follows:

Chief Internal Auditor

- Smartsheet Overview (Internal)
- Update re changes to Council Tax and Business Rates (NDR) (Internal)
- Audit Management Software demonstration

Senior Auditor:

- Information Security and Cybercrime (IIA Exeter)
- Update re changes to Council Tax and Business Rates (NDR) (Internal)
- Audit Management Software demonstration

Auditor:

- Smartsheet Overview (Internal)
- Update re changes to Council Tax and Business Rates (NDR) (Internal)
- Audit Management Software demonstration

Progress against the Plan

- 2.8 The 2013/14 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the S.151 Officer on a monthly basis.
- 2.9 **Appendix B** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. In addition, the

Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.

- 2.10 **Appendix C** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to managers on control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

Non Compliance with Contract or Financial Procedure Rules

- 2.11 There are no significant issues to bring to the attention of the Committee so far this year.

Fraud, Corruption, Bribery and Whistle Blowing

- 2.12 No actual, suspected or allegations of fraud, corruption or bribery have been identified so far this year, and there are no known whistle blowing reports.

Performance Indicators

- 2.13 Internal Audit's performance indicators are mainly collected annually and will be reported to the Audit Committee in full in the year-end report. The full list of those recorded is set out in the Audit Strategy 2013/14.
- 2.14 At this stage in the year, the key indicator 'Completion of 2013/14 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2012/13 combined audit plan.	90	96	As reported to the Audit Committee June 2013.
Audits at the 28th February 2014 at various stages of completion from 2013/14 audit plan and their 2012/13 equivalents.			
SHDC	95	92%	(81% at February 2013).
WDBC	95	87%	(81% at February 2013).
Combined plan	-	91%	(85% at February 2013).

Internal Audit – Shared Services

- 2.15 The following has been achieved so far this financial year:

Shared service with West Devon

- Progress on the 2013/14 audit plan reported to the West Devon Audit Committee. A growing number of audits are being completed across the two sites at the same time e.g. recharging shared service costs.

Teignbridge

- Exchange of audit programmes, advice, official guidance and best practice including PSIAS external assessments; and
- Liaison over various corporate documents.

3. ISSUES from JANUARY 2014 AUDIT COMMITTEE

3.1 The Committee requested further information on several topics, namely:

3.2 Grant Thornton Publications (Agenda Item 7)

Grant Thornton presented an update to the Committee, which included at agenda page 54 a list of material from their website that members may find useful.

The Chief Internal Auditor agreed to supply the Committee with the summaries from these reports. An e-mail has been sent to members with these documents and an invitation for members to request printed copies.

The Head of Finance & Audit agreed to provide members with answers to the questions posed on agenda pages 57 to 61.

3.3 Data Protection Officer (Agenda Item 9)

Members asked for an update on the temporary arrangement for the Data Protection Officer. The Monitoring Officer is still the Data Protection Officer. The intention for Legal and the Head of ICT and Customer Services to discuss the future management of data protection has been superseded by the T18 Transformation Programme. At this stage the Monitoring Officer is unclear where data protection will fit in the new model and will make the appropriate enquiries.

3.4 Travel Claim Certificate (Agenda Item 9)

A member asked if it was necessary to check the driving documentation of officers that use their private cars for Council business, given that they are required to sign a certificate on the travel claim confirming that the appropriate insurance etc. is in place. The Chief internal Auditor agreed to establish the legal position.

The Council's contract solicitor was of the view that if an employee was involved in an accident in their private vehicle while on Council business, a third party could bring a claim against the Council (vicarious liability) particularly if the employee was not insured.

The Insurance Officer confirmed that there was no cover within the Council motor insurance for any private vehicles on Council business and therefore the only likely claim that the Council could make would be Public Liability. An underwriter for the insurance company cast doubt over whether they would meet a claim for an insured driver in a private vehicle on Council business unless specific cover had been taken out.

The insurance view is that the Council owes a duty of care to its employees using private cars on Council business, which checking the driving documentation would satisfy. In addition, the Council is less likely to be liable if it is able to demonstrate a process of regular checking of

documentation. Internal Audit will continue to press for checking to be introduced and the Head of Finance and Audit will raise this at a Senior Management Team meeting.

4. LEGAL IMPLICATIONS

4.1 Statutory Powers: **Accounts and Audit Regulations 2011**

5. FINANCIAL IMPLICATIONS

5.1 None, within existing budgets.

6. RISK MANAGEMENT

6.1 The risk management implications follow this table:

Corporate priorities engaged:	All/Corporate
Statutory powers:	Accounts and Audit Regulations 2011
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	There are no specific biodiversity issues arising from this report.
Sustainability considerations:	There are no specific sustainability issues arising from this report.
Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	CIPFA Local Government Application Note for the united Kingdom Public Sector internal Audit Standards 2013; CIPFA Code of Practice for Internal Audit in Local Government 2006; SHDC 5-year Audit Plan 2010/11 to 2014/15.
Appendices attached:	Appendix A: Audit Plan 2013/14 – Progress to 28th February 2014 Appendix B: Planned Audit 2013/14 – Summary of Results Appendix C: Unplanned Audit 2013/14 – Summary of Results

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Opportunity to Make the Best Use of Scarce Audit Resource	Audit work completed in line with the audit plan and to the required quality standards will ensure that the external auditor gains assurance from the work of internal audit. The result is no additional charges being requested to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	-	-	-	↔	A risk based audit plan directs scarce audit resources towards areas of high risk to the Council.	Chief Internal Auditor
2	Inappropriate Use of Scarce Audit Resource	The directing of scarce audit resources away from areas of high risk may undermine the opinion provided to the Council by the Chief Internal Auditor on the System of Internal Control.	2	2	4	↔	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.	Chief Internal Auditor

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
3	Links with External Audit	The external auditor may gain no assurance from the work of internal audit, potentially resulting in requests for additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	2	2	4	↔	Regular liaison with the external auditor. Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year. Regular monitoring of progress by the S.151 Officer and the Audit Committee.	Chief Internal Auditor
4	Assurance for the Annual Governance Statement	The Council's Annual Governance Statement cannot be signed if Internal Audit fails to complete the work set out in the approved risk based audit plan due to unforeseen circumstances.	3	2	6	↔	Regular monitoring of performance by the S.151 Officer and the Audit Committee. Audit approach adheres to the appropriate professional standards. Closer links with our neighbouring Council's audit team will provide reasonable assurance that higher risk audits are covered each year without fail, should significant resource issue arise.	Chief Internal Auditor

Direction of travel symbols ↓ ↑ ↔

Progress Against the 2013/14 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
MAS & Budgetary Control	13	■	■							Draft report issued: 22.01.2014
Creditor Payments	11	■	■							Draft report issued: 31.01.2014
Payroll	10	■	■	■	■		■			Summary to Audit Committee - January 2014
Council Tax	14	■	■	■	■		■			Summary to Audit Committee - April 2014
Business Rates (NDR)	12	■	■	■	■		■			Summary to Audit Committee - April 2014
Benefits	15	■	■							Draft report issued: 03.03.2014
Benefits Debtors	5	■	■				■			Summary to Audit Committee - April 2014
Debtors	10	■	■							Draft report issued: 18.12.2013
Treasury Management	7	■	■	■	■	■				Summary to Audit Committee - April 2014
Capital Expenditure	10	■	■							Draft report issued: 06.02.2014
Fundamental Systems	107									
Salcombe Harbour	10	■	■	■	■		■			Summary to Audit Committee - April 2014
Dartmouth Lower Ferry	9	■	■	■	■		■			Summary to Audit Committee - April 2014
Street Scene - Car and Boat Parking	9	■								94% completed.
Private Sector Housing Renewal	8	■	■	■	■		■			Summary to Audit Committee - January 2014
Data Quality & Performance Indicators	5	■	■	■	■		■			Summary to Audit Committee - April 2014
Use of Email & Internet	10	■	■	■	■		■			Summary to Audit Committee - January 2014
Computer Audit	26	■								See below: 17% completed.
Grants - RDPE Rural Community LAGs – Accountable Body	50	55.4 days used	-	-	-	-	-	-	-	125 - Project claims audited; plus 35 - Management & Admin invoices.

Progress Against the 2013/14 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Coastal Communities Fund – Accountable Body	-	6 days used	-	-	-	-	-	-	-	Minute reference E.28/12 refers
Follow Up of Previous Year's Audits	6	4.6 days used	-	-	-	-	-	-	-	
Contingency (Unplanned)	55	54.9 days used	-	-	-	-	-	-	-	See Appendix C. Includes 12.6 days T18 work
Corporate Governance	8									
Exemptions to Contract or Financial Procedure Rules	5	4.7 days used	-	-	-	-	-	-	-	17 Exemption applications received and processed April to February 2014, of which 16 accepted.
System of Internal Control (SIC) & Annual Governance Statement (AGS)	6	■	■	■	■	-	-	-	-	Report to the July and September 2013 Audit Committees for recommendation to Council of Annual Governance Statement. Approved and published.
Risk Management / Business Continuity	5	■	■							Draft report issued: 04.03.2014
West Devon Borough Council	105	-	-	-	-	-	-	-	-	Separate report to WDBC Audit Committee.
Other Essential	317									
Beach and Water Safety	4	■	■	■	■		■			Summary to Audit Committee - September 2013
Countryside Recreation and Management	5	■	■	■	■		■			Summary to Audit Committee - January 2014
Outdoor Sports and Recreation	8	■	■	■	■		■			Summary to Audit Committee - January 2014
Emergency Planning and Business Continuity	8	■	■	■	■		EP ■	BC ■		Summary to Audit Committee - January 2014
Food Safety	8	■	■	■	■		■			Summary to Audit Committee - January 2014
Licensing	8	■	■	■	■		■			Summary to Audit Committee - September 2013
Pollution Reduction	8	■	■	■	■		■			Summary to Audit Committee - September 2013
Allocation of HQ Costs	4 - 4	X	X	X	X	X	X	X	X	Suspended in favour of Leisure Management.
Council Tax Collection	5 - 5	X	X	X	X	X	X	X	X	Suspended in favour of Leisure Management.
Leisure Contract (Management of)	9	■	■	■	■		■			Summary to Audit Committee - January 2014

Progress Against the 2013/14 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Planning Policy including S.106 Agreements	8	■	■	■	■			■		Summary to Audit Committee - January 2014
Community Development including Grants and Loans	8	■	■	■	■		■			Summary to Audit Committee - September 2013
Advice to RM/ Information Compliance/Other Groups	3	1.5 days used	-	-	-	-	-	-	-	
Contract Management	6	■	■	■	■			■		Summary to Audit Committee - September 2013
Freedom of Information and Data Protection	8	■	■	■	■		FOI ■	DP ■		Summary to Audit Committee - January 2014
Partnership Management	8	■	■	■	■			■		Summary to Audit Committee - September 2013
Safeguarding Children	5	■	■	■	■		■			Summary to Audit Committee - January 2014
Shared Services	5	■	■	■	■		■			Summary to Audit Committee - September 2013
Use of Agency Staff	5	■	■	■	■			■		Summary to Audit Committee - January 2014
Counter Fraud Work	10	■	■	■	■		■			Summary to Audit Committee - April 2014
Other	124									
Audit Administration	20	22 days used	-	-	-	-	-	-	-	
Audit Management, including Audit Planning	20	17 days used	-	-	-	-	-	-	-	
Audit Monitoring against the Plan, including Reports to Management and Audit Committee.	15	13 days used	-	-	-	-	-	-	-	
Training	15	3 days used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Regulations etc.	5	0 days used	-	-	-	-	-	-	-	
Other	75									
Overall Total	620									

Page 107

Computer Audit Plan 2013/14

Included above:											
Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments	
Installation & Healthcheck	7										
Security and Strategy	6										
E Commerce	6	■									
Other Reviews including Telecommunications Network	7	■									
Computer Audit	26										17% completed.

Planned Audit 2013/14 – Final Reports Issued

The following tables provide a summary of the **audit opinion** and main issues raised in the reports issued to managers. **In all cases (unless stated) an action plan has been agreed to address these issues.**

Opinion Definitions

Excellent

The areas reviewed were found to be well controlled; internal controls are in place and operating effectively. Risks against the achievement of objectives are well managed.

Good

The majority of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.

Fair

There is a control framework in place, but some of the areas reviewed were not found to be adequately controlled. In these areas risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.

Poor

Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

September 2013 Audit Committee

Beach and Water Safety Issued 30th May 2013 **Good**
Building Control (Follow Up of 2012/13) Issued 16th July 2013 **Unchanged at Good.**
Partnership Management Issued 6th June 2013 **Fair**
Shared Service Recharges Issued 17th July 2013 **Good**
Pollution Reduction Issued 17th July 2013 **Good**
Community Grants and Loans Issued 18th July 2013 **Good**
Sherford (Follow Up of 2012/13) Issued 25th July 2013 **Unchanged at Good.**
Purchase Cards (Unplanned) Issued 25th July 2013
Licensing Issued 31st July 2013 **Good**
Contract Management Issued 8th August 2013 **Fair**

Planned Audit 2013/14 – Final Reports Issued

January 2014 Audit Committee

Emergency Planning and Business Continuity Planning Issued 12.08.2013 **Emergency Planning – Good: Business Continuity – Fair**

Use of Agency Staff Issued 16.08.2013 **Fair**

Use of Internet and Email Issued 06.09.2013 **Good**

Food Safety Issued 30.08.2013 **Good**

Countryside Recreation and Management Issued 26.09.2013 **Good**

Outdoor Sports and Recreation Issued 26.09.2013 **Good**

Planning Policy including S.106 Agreements Issued 21.10.2013 **Fair**

Data Protection & Freedom of Information Issued 23.10.2013 - **Data Protection - Fair; Freedom of Information - Good**

Private Sector Housing Renewal Issued 29.10.2013 **Good**

Leisure Contract (Management of) Issued 08.11.2013 **Good**

Safeguarding Children Issued 25.11.2013 **Good**

Payroll Issued 27.11.2013 **Good**

Page 10

April 2014 Audit Committee

Subject	Audit Findings	Management Response
Treasury Management Issued 09.12.2013	Excellent Three minor issues reported.	Action plan agreed.
Counter Fraud Work Issued 06.01.2014	Good We reported further details of the counter fraud work in the Audit Commission checklist 'Protecting the Public Purse 2013', which appears on the agenda of this Audit Committee (April 2014). A small number of recommendations were made to the relevant managers.	Action plan agreed.

Planned Audit 2013/14 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Salcombe Harbour Issued 03.12.2013</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 111</p>	<p>Good</p> <p>The harbour encompasses a variety of systems and processes and its officers complete these to a noteworthy standard. We have raised some issues, the most significant areas are as follows:</p> <ul style="list-style-type: none"> • The Harbour System software is being updated and there are a number of issues that if included by the software supplier will improve control as well as efficiency; • We have identified some issues relating to the e-harbour system regarding the loss of access to harbour system data, improving reporting and control of refunds; and • Improvements on the store spreadsheets, including ensuring that the closing stock values are correctly calculated and that the value of stock and assets are reported to the Council's Insurance Officer. 	<p>We are aware of the issues and these have been passed onto the software supplier.</p> <p>It is not envisaged that some of the issues will be addressed with the new harbour system, although this may not be all issues. If not all issues are resolved we will continue to discuss this with the software supplier and raise at any future user group meetings. Some issues have now been cleared on the current harbour system.</p> <p>The spreadsheet has now been updated with the changes required.</p>
<p>Data Quality and Performance Indicators Issued 17.12.2013</p>	<p>Good</p> <p>We were able to confirm that the method of collection for indicators remains consistent, although there are still some areas where actions are required:</p> <ul style="list-style-type: none"> • The Council's Data Quality Assurance Strategy requires review and update, although management have confirmed action is planned by the end of 2013. • Although the Council's have agreed to stop the recording of some indicators there are still calls by some government departments for these to be completed 	<p>An updated strategy has been drafted and approved by Senior Management Team (SMT) as reported to the January Committee.</p> <p>Action plans agreed for a small number of the individual performance indicators.</p>

Planned Audit 2013/14 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Dartmouth Ferry Issued 19.12.2013</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 112</p>	<p>Good</p> <p>The majority of the recommendations made in last year's internal audit report have been implemented, and controls have improved in many areas but some weaknesses remain in spite of the best efforts of the Ferry managers and staff:</p> <ul style="list-style-type: none"> • The aging hardware continues to present technical difficulties, which result in repair costs and a risk of future failure or loss of the system; and • The software is reliant on manual input, it provides limited individual crossing data and operational reports which undermines the effectiveness of operational data available from the system and is potentially unable to cope with future demands on the service. 	<p>A business case has been submitted to and accepted by ICT and approved by the SMT and the Executive.</p> <p>An order has been placed with the supplier with expected delivery in April 2014.</p> <p>The new software uses wireless technology and 'tagging' (electronic tickets) systems to reduce the processing of paper concession tickets being taken as vehicles and passengers use the service.</p>
<p>Council Tax Issued 12.02.2014</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 113</p>	<p>Good</p> <p>We have given the audit opinion of Good in acknowledgement of the fact that most items in last year's audit reports have been implemented and also that many of the SHDC and WDBC procedures are now aligned.</p> <ul style="list-style-type: none"> • Limited separation of duties; • Access rights were not up to date with several leavers and officers moving within the Councils still having access to the revenues system; and • The need to consider procedures for the timely and efficient review of accounts in credit and the raising of refunds. 	<p>See NDR (Business Rates) below.</p> <p>It has been agreed that ICT will now remove leavers. Revenues and Benefits are each to independently make regularly reviews of access rights to their part of the system.</p> <p>New procedures have been emailed to staff in Customer Services and Revenues which should improve the efficiency with which credit balances are processed. In addition, checks have been made on credits as part of the 2014/15 billing runs.</p>

Planned Audit 2013/14 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>NDR (Business Rates) Issued 26.02.2014</p>	<p>Good</p> <p>We have given the audit opinion of Good in acknowledgement of the fact that most items in last year's audit reports have been implemented and also that many of the SHDC and WDBC procedures are now aligned.</p> <p>The main issues raised include:</p> <ul style="list-style-type: none"> • The risks to the Business Rates Pool membership of significant valuation changes to large liability business properties; • Limited separation of duties and the need to consider procedures for the timely and efficient review of long term suppressions, cash transfers and accounts in credit; and • Reviewing, updating and aligning policies and procedures for the granting of discretionary reliefs and for recovery and enforcement. 	<p>The Valuation Office has provided a list of outstanding appeals for both Councils. These have been taken account of when completing the government return NDR1 for 2014/15 (section relating to back dated appeals).</p> <p>The current size of the team does not offer any scope for further separation of duties. However under T18 there may be more opportunities if responsibilities are devolved to other teams.</p> <p>We will try to ensure that we carry out as much monitoring as resources allow, which will include specific areas that confirm the consistency and quality of customer service, as well as cash transfers between accounts and suppressions.</p> <p>Indeed the review of cash transfers between accounts is now up to date.</p> <p>The discretionary rate relief review has commenced with the application form for South Hams now including an end date as West Devon's form does. The intention is to continue with a review of mandatory reliefs in 2014/15.</p> <p>The Revenues Manager will discuss future changes with the Chief Revenue Accountant with a view to moving towards a single process.</p>

Planned Audit 2013/14 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Housing Benefits Debtors Issued 27.02.2014</p>	<p>Good</p> <p>We have recognised that, in the majority of cases, action has been undertaken by officers to identify and to recover housing benefit debt.</p> <p>The main issue raised in the report was the growing level of combined benefit debt and management are reminded of the need to reduce the level of rising debt.</p> <p>There are a number of possible reasons why the level of debt has increased, for example;</p> <ul style="list-style-type: none"> • The circumstances of the individuals incurring the benefit related debt and their inability to pay; • Better identification of claims and overpayments; • Recovery of debt may be set at a limited or statutory rate; • Increased work pressure on Council staff involved in recovery; • Difficulty in locating and identifying the debtor; • Reluctance for the Council to write off debt; and • Incorrect identification and posting from benefit accounts. 	<p>We are aware of the issues surrounding the level of debt and are continuing to improve our methods of recovery.</p> <p>For the near future this is to include;</p> <ul style="list-style-type: none"> • Better working with the benefits team to identify and recover debt promptly; • Improving the resources of the recovery team; • Improved reports to identify types of debt and recovery; • Reporting and analysis of debt to the head of service and Strategic Management Team; and • Reviewing our process of writing off of aged or unrecoverable debt.

Planned Audit 2013/14 – Work Complete (No Audit Report)

Subject	Comments
Exemptions to Financial Procedure Rules	See table at Appendix A.
RDPE Rural Communities – LAGs and Coastal Communities Fund	See table at Appendix A, SHDC is the 'accountable body'. Auditing in line with the approach required by the funding body.
System of Internal Control (SIC), and Annual Governance Statement (AGS)	A report setting out the work done to enable the AGS to be completed in line with the CIPFA/SOLACE guidance was presented to the July 2013 Audit Committee. The Committee recommended approval of the AGS to the Council. The AGS was published in September 2013, following an update to the Statement at the September 2013 Audit Committee agenda.

Planned Audit 2013/14 – Follow Up with 2013/14 Audits

September 2013 Audit Committee

Beach and Water Safety 2008/09 - Mainly implemented.
 Partnership Management 2011/12 and 2007/08 - Implemented.
 Shared Services Recharges 2012/13 - Mainly implemented.
 Pollution Reduction 2008/09 - Implemented.
 Community Grants and Loans 2008/09 - Mainly implemented.
 Licensing 2009/10 - Implemented.

January 2014 Audit Committee

Payroll 2012/13 - Mainly implemented.
 Private Sector Housing Renewal 2012/13 – Mainly implemented
 Use of Email & Internet 2012/13 - Mainly implemented
 Countryside Recreation and Management 2008/09 - Implemented
 Outdoor Sports and Recreation 2008/09 - Implemented
 Emergency Planning and Business Continuity 2006/07 - Mainly implemented
 Food Safety 2006/07 - Mainly implemented
 Leisure Contract (Management) 2001/12 and 2012/13 Follow Up - Mainly implemented.
 Planning Policy/S.106 Agreements 2009/10 2010/11 Follow Up - Mainly implemented
 Freedom of information and Data Protection 2007/08 - Mainly implemented

April 2014 Audit Committee

Subject	Comments
Treasury Management – 2012/13	Issues repeated related to alignment of processes with West Devon and so not control weaknesses.
Council Tax – 2012/13	Mainly implemented. 5/17 repeated covering to separation of duties and related compensating controls.
Salcombe Harbour – 2012/13	Mainly implemented. 3/10 repeated but not significant.
Business Rates (NDR) – 2012/13	Mainly implemented. 8/23 repeated relating to separation of duties and process alignment.
Data Quality and PIs – 2012/13	Mainly implemented. Update of the Strategy being the most significant of the 5/20 repeated.

April 2014 Audit Committee

Subject	Comments
Dartmouth Lower Ferry – 2012/13	Mainly implemented. 3/11 repeated 2013/14 mainly relating to the risk relating to aging ticketing system.

Planned Audit 2013/14 – Follow Up of 2012/13 Audits

Subject	Comments
Inventories	Memo sent February 2014.
Insurance	Memo sent February 2014.
Pannier Markets	Memo sent February 2014.
Schemes with Other Organisations	Memo sent February 2014.
Community Parks and Open spaces	Memo sent February 2014.
ICT Cost Effectiveness	Memo sent 30/10/2013. Reminder sent but to be followed up with annual computer audit.
Capital Receipts and Grants	Cleared
Insurance	Memo sent 19/06/2013. Awaiting reply. Reminder sent and meeting to be arranged.
Building Maintenance	Recommendations implemented other than the known issues relating to the software which cannot be addressed in the short term. Cleared
Major Developments - Sherford	Updated and new report issued.
Building Control	Follow up with Teignbridge Internal Audit. New report issued with 3 revised implementation dates.
Use of Internet and Email	Followed up with annual audit.
Corporate Management Costs	Cleared.
Travel and Subsistence (Follow Up)	All but 2 recommendations cleared; these to be followed up with the 2013/14 Payroll audit.
Corporate Management Costs	Cleared
Land Charges	Cleared
Complaints System	Cleared
Print Room	Cleared

Unplanned Audit – 2013/14

General

Description	Main Issues
<p>Minor enquiries and issues investigated, including some planned work, which by its nature does not require a report. Resourced from the contingency line of the audit plan.</p>	<ul style="list-style-type: none"> • General procurement and disposal rules advice; • General ICT issues; • General Finance issues; • Document retention enquiries; • Additional individual internet and e-mail usage information as requested by managers; • Assistance to the external auditors on specific tests for the audit of the accounts; • Salcombe Harbour – advice and assistance; • Audit Commission fraud survey; • Contribution to update of report writing guidance; • Various Housing processes; • Various Street Scene issues; • Audit Committee Scrutiny budget review; • Benefits payment run process; • Finance team service sharing and other issues; • T18 Transformation Programme – including Process mapping and Blueprinting (12.6 days to be shared with West Devon); • Leisure Contract – Lessons Learned document • Dartmouth Ferry – advice re new system and other issues; • Audit Commission: Protecting the Public Purse 2013; • Fraud bulletins and monitoring of National Fraud Initiative; • Various Assets issues; • Assistance re HMRC inspection and advice re related issues; • Numerous other minor control issues, advice on financial controls and procurement procedures given to service officers at all levels and contribution to various draft policies & strategies.

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AGENDA
ITEM
12

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM
12

NAME OF COMMITTEE	Audit Committee
DATE	3 rd April 2014
REPORT TITLE	Checklist from the Audit Commission Document: Protecting The Public Purse 2013 (Fighting Fraud against Local Government)
Report of	Chief Internal Auditor, and S.151 Officer
WARDS AFFECTED	All

Summary of report:

The purpose of this report is to inform members of the position of the Council against the checklist included in the Audit Commission publication 'Protecting the Public Purse 2013 (Fighting Fraud against Local Government)' (November 2013).

This report links to the previous versions of the checklist presented to members and the National Fraud Authority's strategy 'Fighting Fraud Locally'.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee considers the position of the Council against the checklist included in the Audit Commission publication 'Protecting the Public Purse 2013 (Fighting Fraud against Local Government) (November 2013).

Officer contact:

For further information concerning this report, please contact:
 Allan Goodman, Chief Internal Auditor allan.goodman@southhams.gov.uk
 Lisa Buckle, Head of Finance and Audit & S.151 Officer

1. BACKGROUND

1.1 This is the fifth year that the Audit Commission has published 'Protecting the Public Purse – Local Government Fighting Fraud' (September 2009, October 2010, November 2011, November 2012 and the latest November 2013).

1.2 The original report introduction said:

'Every pound lost through fraud affects citizens by increasing taxation and threatening essential service.....There has been a growing recognition of the damaging impact that fraud has on the UK economy and on citizens. This recognition has been matched by some important initiatives to combat fraud. Fighting fraud is high on the agendas of the government and most private and public sector organisations. The newly formed National Fraud Authority is committed to measuring and analysing the incidence and impact of fraud across the UK'.

2. UPDATE FOR 2013

2.1 Protecting the Public Purse 2013 focuses on the continuing progress by local government to protect tax payers by fighting fraud and is available on the Audit Commission web site: <http://www.audit-commission.gov.uk/2013/11/protecting-the-public-purse-2013/>

2.2 In 2012, the report said that the local government bodies are targeting their investigative resources more efficiently and effectively, but in 2013 fewer frauds were detected in local government compared with the previous year.

Local government detected 107,000 cases with a value of £178 million of which benefit fraud accounted for 2/3rds of the loss but only 44% of the cases.

South Hams return reported for 2012/13 reported that there were 29 benefit fraud cases with a total value of £93.5k in overpaid benefits. Of these 6 were prosecuted based on a total value of £32.7k, with a further case of aiding and abetting (nil value) – *as reported to the Audit Committee September 2013*. There were no identified cases of non-benefit fraud.

2.3 Among the report's recommendations it suggests that Councils use a checklist to review its counter-fraud arrangements – Appendix A.

2.4 The Council's Chief Internal Auditor presented the completed checklist to the April 2010, 2011, 2012 and 2013 Audit Committee meetings which reflected the Council's position at these times against each of the questions.

2.5 The 2013 Audit Commission's report included recommendations that Councils should:

- Actively pursue potential frauds identified through participation in the National Fraud Initiative (NFI) data matches;
- Actively promote a vigorous counter fraud culture;
- Develop[a clear strategy to tackle fraud;
- Work in partnership to reduce fraud;
- Prepare effectively for the introduction of the Single Fraud Investigation Service;
- Allocate sufficient resources to tackling fraud; and

- Improve their use of data to measure their performance in tackling fraud.

3. COUNTER FRAUD – INTERNAL AUDIT 2013/14

3.1 We carried out specific counter fraud audit work for South Hams and West Devon Councils as described in the 2013/14 audit plan and previous reports to the Audit Committee.

The audit and sample testing covered the following areas:

- Planning this and future years counter fraud work;
- Review of online counter fraud guidance;
- Promotion of Anti Fraud, Corruption and Bribery Policies;
- Review of National Fraud Initiative (NFI) data matching;
- Undertake pro-active counter fraud testing:
 - Cash transactions;
 - Vehicle disposal;
 - Rented and vacant units;
 - Comparison of the payrolls for both authorities;
 - Overtime payments; and
 - Physical verification of a sample of employees.
- Pro-active counter fraud testing using Computer Assisted Audit Techniques (CAATS):
 - Duplicate creditor payments;
 - Duplicate employees; and
 - Unusual suppliers or transactions.

We concluded that the majority of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified (standard wording for Good opinion). No fraud was identified.

We have identified that, in most cases, action has been undertaken to review the data matching provided by the NFI. We would encourage management to review all the data promptly and conscientiously to ensure potential irregularities are cleared at the earliest opportunity.

Other minor issues were reported to managers in a formal audit report.

4. LEGAL IMPLICATIONS

4.1 Statutory powers: Accounts and Audit Regulations 2011 etc.

5. FINANCIAL IMPLICATIONS

5.1 None, within existing budgets.

6. RISK MANAGEMENT

6.1 The risk management implications follow these considerations:

Corporate priorities engaged:	All
Statutory powers:	Accounts and Audit Regulations 2011
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	No specific biodiversity issues arising from this report.
Sustainability considerations:	No specific sustainability issues arising from this report.
Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	<ul style="list-style-type: none"> • Audit Commission report: Protecting The Public Purse 2013 (Fighting Fraud against Local Government); • National Fraud Authority's document <i>Fighting Fraud Locally</i> considered by the September 2012 Audit Committee; • The Council's Anti Fraud, Corruption & Bribery Policy and Strategy 2011; • Benefit Fraud Prosecution and Sanction Policy; and • Confidential Reporting (Whistle Blowing) Policy
Appendices attached:	Appendix A: Completed checklist from Protecting The Public Purse 2013 (Fighting Fraud against Local Government)

STRATEGIC RISKS TEMPLATE

No	Opportunity Title	Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Demonstrating zero tolerance of fraud.	Communicating the Anti-Fraud stance to members, officers and the public may deter those that consider that an attempted fraud is work risking.	-	-	-	↔	The Council demonstrates its commitment to an Anti-Fraud culture, by the regular review, updating and approval of an Anti Fraud Strategy.	Chief Internal Auditor
2	The Council's response to suspected fraud is documented	Investigations are commenced promptly after suspicions are aroused.	-	-	-	↔	The approach to investigating suspected fraud is clearly laid out in the Council's Fraud And Corruption Response Plan appended to the Anti-Fraud and Corruption Strategy. Early liaison with the police, where appropriate is clearly stated in the Council's Fraud And Corruption Response Plan.	Chief Internal Auditor
3	Preventative measures are in place	Preventative measures are in place, including a system of internal controls which are regularly reviewed.	-	-	-	↔	Controls are regularly reviewed by managers and Internal Audit on a risk basis, with vulnerability to fraud being a key part of the audit risk assessment.	Chief Internal Auditor

No	Risk Title	Risk Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
4	Risk of fraud.	Risk of fraud or corruption being perpetrated on the Council.	2	2	4	↔	Preventative measures are in place. These include a system of internal controls which are regularly reviewed, and a zero tolerance policy which is communicated to members, officers, stakeholders and the community. The risk of fraud appears in the Council's risk register.	Chief Internal Auditor
5	Reporting suspected fraud is encouraged.	Fraud or corruption is not identified at an early stage.	2	2	4	↔	The Council's Confidential Reporting Policy (whistle blowing) encourages members, officers and the public to report suspected fraud without fear of reprisals. Internal control measures are in place.	Chief Internal Auditor
6	A professional approach to fraud investigation	Suspected fraud or corruption is not investigated in a sound professional way.	2	2	4	↔	Only appropriately trained officers are appointed to investigate suspected fraud.	Chief Internal Auditor

Direction of travel symbols ↓ ↑ ↔

	Yes	No	2012 Response	2013 Update
General				
1. Do we have a zero-tolerance policy towards fraud?	Yes		<p>The Council's Anti-Fraud, Corruption and Bribery Policy and Strategy 2011 (incorporating the Housing Benefit Fraud Prosecution and Sanction Policy) states that the Council is committed to discouraging, preventing and detecting fraud and corruption where attempted on, or from within, the Council's organisation.</p> <p>The document appears on the Council's website and Intranet. A separate procedure document, 'Response Plan', has also been updated and made available to all staff via the Intranet.</p> <p>An item in the Council's 'Friday Flash' and Members' Bulletin was used to promote the Council's zero tolerance with a link to the revised Policy and Strategy; supported by the Audit Committee.</p> <p>Scanning for unforeseen events forms part of the Strategic Management Risk register and includes potential fraud.</p> <p>The risk registers are reviewed quarterly by the Risk Management Group which includes the Chief Internal Auditor and Monitoring Officer. Potential fraud risks will be fed into the Internal Audit teams counter fraud work.</p>	<p>Unchanged.</p> <p><i>Action:</i> The Anti-Fraud, Corruption and Bribery Policy and Strategy 2011 may benefit from a review in 2014/15.</p>
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i> ?	Yes		<p>The National Fraud Authority's document <i>Fighting Fraud Locally</i> was also discussed at the September 2012 Audit Committee, but the Audit Commission checklist is used for review.</p>	<p>Unchanged.</p>

	Yes	No	2012 Response	2013 Update
General				
3. Do we have dedicated counter-fraud staff?	Yes		A dedicated housing benefit fraud and visiting team cover revenues, benefits and housing. Counter fraud and corruption arrangements are a key part of the internal audit of the Council's financial systems and governance framework. The 2013/14 Internal Audit Plan includes specific resources for counter fraud work, in response to the action plan from the National Fraud Authority's document <i>Fighting Fraud Locally</i> .	Unchanged. The body of the report summarises the Counter Fraud work carried out in 2013/14.
4. Do counter-fraud staff review all the work of our organisation?	Yes		The internal audit plan covers all of the activities of the Council through a risk based audit approach. Vulnerability to fraud is one of the key components that determine the frequency of audit and resources used for any specific audit area.	In including days in the Internal Audit Plans for specific counter audit activities, a sub-plan was devised to direct the related work in an effective way.
5. Does a councillor have portfolio responsibility for fighting fraud across the Council?		No	New 2013.	No specific member but there is shared responsibility particularly through the Audit Committee who recommend approval of the policy, receive an update of any alleged fraud and this and similar review checklists.
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	Yes		Internal Audit plans are presented to the Audit Committee annually and monitoring reports on activities include fraud risks and a summary of any investigations and their outcomes. Quarterly reports advise the Committee of any suspected or actual fraud identified.	Unchanged. Internal Audit brought together a centralised list of fraud risks as part of the Internal Audit team's counter fraud work.

Audit Commission: Protecting the Public Purse – Updated for 2013
 Checklist for Those Responsible for Governance

	Yes	No	2012 Response	2013 Update
General				
7. Have we assessed our management of counter-fraud work against good practice?	Yes		Audit Commission Protecting the Public Purse checklists was completed and presented to members in 2009, 2010, 2011, 2012 and 2013. The National Fraud Authority's document <i>Fighting Fraud Locally</i> was considered by the September 2012 Audit Committee.	Annual review carried out using the Audit Commission checklist Protecting the Public Purse, this being the latest.
8. Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • New staff (including agency staff)? • Existing staff? • Members? • Our contractors? 	Yes		The Council's commitment to the Anti-Fraud and Corruption Policy and Strategy is communicated to new staff at induction days and existing staff through the Intranet and leaflets on notice boards linked to the Whistle Blowing Policy. An item in the Council's 'Friday Flash' and Members' Bulletin was used to promote the Council's zero tolerance with a link to the revised Policy and Strategy, supported by the Audit Committee. Contractors – fraud risks are managed actively through set pricing schedules and checking of invoices. All Council contracts include our corruption & bribery warnings as standard (this is mandated along with full anti-fraud criteria for EU contracts in line with the directives).	As paragraph 1 and unchanged. <i>Action:</i> The Anti-Fraud leaflets may benefit from a refresh in 2014.

	Yes	No	2012 Response	2013 Update
General				
9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	Yes		<ul style="list-style-type: none"> The Audit Commission’s data matching service (NFI); The dedicated Housing Benefit Fraud Team and Internal Audit subscribe to the National Anti-Fraud Network and receive ‘Intelligence Bulletins’ that alert readers to identified alleged frauds and scams. These are reviewed and forwarded to the relevant service to enable them to ensure the Council is not at risk of an equivalent fraud. The Council subscribes to the CIPFA Technical Information Service and other bulletins; Liaison with other audit and benefit teams particularly in Devon. <p>In addition the Department for Work and Pensions Housing Benefits Matching Service is used on a monthly basis. Reference has been made to a private sector company that help businesses to manage credit risk and prevent fraud. Internal Audit shares data with neighbouring Council teams relating to fraud and the system weaknesses that allowed the fraud to be perpetrated.</p>	Unchanged, plus: The dedicated Housing Benefit Fraud Team has signed up to NFI’s flexible matching for 2013 (additional matching on certain higher risk data streams). At the time of this report the details have yet to be finalised but are likely to included Council Tax single person discount.
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	Yes		As 9 above plus the Benefits Fraud Team have working arrangements and monitoring meetings with the Department for Work and Pensions (DWP), both Exeter and Plymouth offices.	As 9 above.

	Yes	No	2012 Response	2013 Update
General				
11. Do we identify areas where internal controls may not be performing as intended? How quickly do we then take action?	Yes		Internal audit process, results reported to managers, senior managers in detail and in summary to the Audit Committee. Vulnerability to fraud also consider at the start of each individual audit. Action taken quickly depending on the significance of the non performing control and whether other compensating controls are in place to maintain integrity. Internal Audit will carry out some counter fraud enquiries using Computer Assisted Audit techniques (CAATs).	Unchanged. Internal Audit has carried out some counter fraud enquiries using Computer Assisted Audit techniques (CAATs) to identify potential fraud as part of the 2013/14 Counter Fraud work.
12. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative (NFI) and receive reports on our outcomes?	Yes		The Council takes part in the Audit Commission NFI. Action is taken and outcomes are reported to the Audit Committee by exception through normal reporting channels where appropriate. Members were updated with the Council's work on the NFI in September 2012. The results of the latest matched have been released to the Council by the Audit Commission (February 2013).	The Audit Committee will be updated with the results of the latest NFI data matching work which must be completed by the Council by the 31 st March 2014. Internal Audit monitored progress as part of the Counter Fraud work in September 2013.
13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	Yes		An updated Anti Money Laundering Policy and Procedure was approved by the Council upon the recommendation of the June 2012 Audit Committee, and published on the Council's Intranet and Website.	Unchanged.
14. Do we have effective arrangements for: <ul style="list-style-type: none"> • Reporting fraud?; and • Recording Fraud? 	Yes		A separate procedure document, 'Fraud Response Plan', has also been updated and made available to all staff via the Intranet. This links to the Disciplinary Policy and Whistleblowing Policy.	Unchanged.

	Yes	No	2012 Response	2013 Update
General				
15. Do we have effective whistle blowing arrangements? In particular are staff: <ul style="list-style-type: none"> Aware of our whistle blowing arrangements? Have confidence in the confidentiality of those arrangements? Confident that any concerns will be addressed? 	Yes		The Council's Confidential Reporting (Whistleblowing) Policy was updated by the Monitoring Officer in March 2009 and related Frequently Asked Questions added. These are available to all staff and members on the Intranet including the Staff Pages. In addition a leaflet on staff notice boards provides further guidance. As discussed at 7 above, an email to all staff reminded them of the Confidential Reporting (Whistle Blowing) Policy.	Unchanged.
16. Do we have effective fidelity insurance arrangements?	Yes		Fidelity Insurance cover is in place, with the 'Sums Guaranteed' linked for designated officers to the risk of loss. Reviewed annually by Internal Audit as part of the Treasury Management audit with results reported to the Audit Committee.	Unchanged.
	Yes	No	2012 Response	2013 Update
Fighting Fraud with Reduced Resources				
17. Have we reassessed our fraud risks in the light of the current financial climate?	Yes		Various guidance taken into account during audit planning – e.g. CIPFA's "Auditing in an Economic Downturn".	Unchanged.
18. Have we amended our counter-fraud action plan as result?	Yes		The CIPFA documents cover a number of different areas that are already included in the risk based annual audit plan. Counter fraud action plan to be produced for 2013/14 using the resource put aside for specific counter fraud work. The current financial climate will contribute to the risks.	Counter fraud action plan has been audited for 2013/14 using the resource put aside for specific counter fraud work
19. Have we reallocated staff as a result?		No	As 18 above.	Unchanged.

	Yes	No	2012 Response	2013 Update
Some Current Risk & Issues				
Housing Tenancy				
20. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	Yes		<p>The Council is part of the countywide Choice Based Letting Scheme (Devon Home Choice).</p> <p>Applicants are assessed and placed into bands depending on circumstances and housing need by the responsible Council.</p> <p>Officers registering the data in the system raise any irregularities in application with the Fraud Team.</p> <p>Applicants are able to bid for allocation to a property advertised by the Registered Providers (RP). Allocation offers are made by the RP to the applicant with the highest band/longest time in the band.</p> <p>The RP must verify that the details provided by the applicant are correct prior to allocation.</p>	<p>Unchanged.</p> <p>The Council supports a partnership lead by Plymouth City Council which was successful in securing grant funding from central government to tackle social housing fraud.</p> <p>The 'Devon Social Housing Fraud Team' (3 posts, one appointed and two being recruited) will investigate cases of possible social housing fraud on participating Devon Home Choice partner landlords and prosecute where appropriate.</p>
21. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	N/A	N/A	<p>It is the responsibility of the Registered Provider (RP) to ensure that the social housing is occupied by those to whom it is allocated, but the Council confirms that the occupation has been completed as expected using the Landlords update on the Devon Home Choice website.</p>	Unchanged.

	Yes	No	2012 Response	2013 Update
Some Current Risk & Issues				
Procurement				
22. Are we satisfied that procurement controls are working as intended?	Yes		<p>Audited annually without significant issues being raised.</p> <p>Relatively low value procurement covered in the annual creditor payment audit and service audits.</p> <p>Higher values in the annual capital expenditure audit.</p> <p>Contract Procedure Rules and other key procurement documents are readily available as is the advice of the Corporate Procurement Officer who is actively involved in all procurement over £30k.</p> <p>A system exists to 'waive' the rules in specific circumstances and depending on the value, with the approval of the statutory officers and Internal Audit as minimum but without the need for a full report to members.</p>	Unchanged.
23. Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels and compared them with best practice?	Yes		<p>The Contract Procedure Rules were updated and aligned with West Devon Borough Council's equivalent, approved by the Council on November 2011 upon the recommendation of the September 2011 Audit Committee. They reflect the guidance issued by the Office of Fair Trading.</p> <p>The guidance issued by the Office of Fair Trading, which includes reducing the risk of illegal practices such as cartels, will be considered at the next review, the results of which will be presented to members later in the year.</p>	<p>Unchanged.</p> <p><i>Action:</i> Contract Procedure Rules may benefit from a review and update during 2014.</p>

	Yes	No	2012 Response	2013 Update
Some Current Risk & Issues (continued)				
Recruitment				
24. Are we satisfied our recruitment procedures:				
<ul style="list-style-type: none"> Prevent us employing people working under false identities? Confirm employment references effectively? Ensure applicants are eligible to work in the UK? Require agencies supplying us with staff to undertake the checks that we require? 	Yes		Successful candidates are required to provide two forms of identity. Referees provided by the applicant are written to by the Council. Evidence of the right to work in the UK via a British passport is required or other relevant documentation in the exact terms expected by the Immigration, Asylum and Nationality Act 2006. Successful applicants are required to provide a National Insurance number. The Council's Agency contract requires the agency to undertake the same recruitment checks that the Council itself undertake.	Unchanged.
Personal Budgets				
25. Where we are expanding the use of personal budgets for social care, in particular direct payments, have we introduced appropriate safeguarding proportionate to risk and inline with recommended good practice?	N/A	N/A	No direct social care responsibilities.	Unchanged.
26. Have we updated our whistle blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	N/A	N/A	No direct social care responsibilities.	Unchanged.

	Yes	No	2012 Response	2013 Update
Some Current Risk & Issues (continued)				
Council Tax				
27. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	Yes		<p>Controls are in place for awarding discounts.</p> <p>The NFI also covers this area with cases identified by the data matching and discount removed.</p> <p>A data matching exercise was carried relating to single persons discount, to compare these discounts with information held in credit agency databases and having regard to the Data Protection Act.</p> <p>Letters were sent in January 2013 to those people where the numbers of residents don't match asking them to complete and sign a form.</p> <p>The forms returned were reviewed for fraud risk. If the forms were not returned, it was stated that the discount might be removed, following a reminder.</p> <p>The approach mirrors other Councils and is supported by Devon County.</p>	<p>Prior to 2014/15 bills being issued, the Council has started a rolling programme to review all discounts and exemptions for Council Tax.</p> <p>See also paragraph 9 re the NFI.</p>
Housing Benefit				
28. When we tackle housing benefit fraud do we make full use of: <ul style="list-style-type: none"> • National Fraud Initiative (NFI)? • Department for Work and Pensions Housing Benefit matching service; • Internal data matching; and • Private sector data matching. 	Yes		<p>Policies and procedures are in place as discussed in this checklist.</p> <p>Benchmarking with other local authorities of sanctions taken.</p> <p>A dedicated fraud hotline is available to the public who can anonymously give information about any fraudulent claimant - the Council investigates every report.</p>	<p>Unchanged.</p> <p>Members will be updated with the results of the latest NFI data matching at an Audit Committee in June 2014.</p>

	Yes	No	2012 Response	2013 Update
Some Current Risk & Issues (continued)				
Housing Benefit (continued)				
28. When we tackle housing benefit fraud do we make full use of: <ul style="list-style-type: none"> • National Fraud Initiative (NFI)? • Department for Work and Pensions Housing Benefit matching service; • Internal data matching; and • Private sector data matching. 	Yes		Full use is made of the NFI and in addition the Department for Work and Pensions Housing Benefits Matching Service on a monthly basis. Reference was also made to a private sector company that helps businesses to manage credit risk and prevent fraud.	Unchanged. Members will be updated with the results of the latest NFI data matching at an Audit Committee in June 2014.
Emerging Fraud Risks				
29. Do we have appropriate and proportionate defences against fraud risks: <ul style="list-style-type: none"> • Business rates; • Local welfare assistance; • Council Tax reduction; • Grants? 	Yes		Internal controls are in place for business rates; discretionary housing payments; Council Tax support and Grants. These are all subject to review and testing by Internal Audit with the results reported to the relevant managers and a summary to the Audit Committee.	Unchanged. Local welfare assistance to be audited early in the 2014/15 audit plan.

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AGENDA
ITEM

13

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

13

NAME OF COMMITTEE	Audit Committee
DATE	3 April 2014
REPORT TITLE	Annual Review of the Council's Constitution
REPORT OF	Monitoring Officer and Democratic Services Manager
WARDS AFFECTED	All

Summary of report:

To consider a report which seeks to ensure that the Constitution is amended to reflect the changes that have either occurred in the Council over the previous year, or to implement any necessary changes to ensure that it is up to date, lawful and reflects the Council's current practices.

Financial implications:

There are no financial implications arising from this report.

RECOMMENDATION:

1. That the Committee **RECOMMEND** to Council that the amendments to the **South Hams District Council Constitution 2014** (as summarised in paragraph 2.2 of the report and fully outlined on the website) be approved; and
2. That the Committee note the need for a detailed review to be undertaken on the **Contract Procedure Rules** and that these will be presented to a future Committee meeting.

Officer contacts:

Catherine Bowen, Monitoring Officer (cbowen@westdevon.gov.uk 01822 813600).

Darryl White, Democratic Services Manager (darryl.white@swdevon.gov.uk) 01803 861247).

Lead Member contact:

Cllr Mike Saltern, Executive Member for Corporate Services (cldr.saltern@southhams.gov.uk)

1. BACKGROUND

- 1.1 It is a constitutional requirement whereby each year, the Council (at its annual meeting) must formally adopt its Constitution for the forthcoming municipal year.
- 1.2 Changes to the Constitution are made throughout the year by the Council and through its consideration of recommendations arising from Committee minutes. Typical examples of such changes include:
- the recently approved interim Executive Director model;
 - the Corporate Performance and Resources Scrutiny Panel taking on responsibility for scrutinising the T18 Programme and providing a quality control function; and
 - the Council decision to discontinue the existing practice of annually reporting the attendance statistics to the Corporate Performance and Resources Scrutiny Panel.
- 1.3 Such changes are effective from the date of approval and are made by the Monitoring Officer. In addition, the Monitoring Officer also has delegated authority to make minor (or legal) amendments to the Constitution during the course of the year. For clarity, these changes are made during the course of the year and are not shown as proposed amendments at this time.
- 1.4 The Council Constitution is fully updated every April to ensure that it is ready for adoption by Council at its annual meeting.

2. THE PROPOSED AMENDMENTS

- 2.1 As part of the annual review, officers are suggesting some amendments to the Constitution which are shown highlighted in yellow font on the Council's website (www.southams.gov.uk). Due to the volume of papers, these have not been circulated with the agenda, but are available on request by contacting Member Services (member.services@southams.gov.uk).
- 2.2 However, the main changes proposed to the Constitution are summarised as below:
- 2.2.1 **Part 2 – Article 2: Members of the Council:** in line with the Council decision (Minute 45/13(b) to discontinue the practice of annually reporting the attendance statistics to the Corporate Performance and Resources Scrutiny Panel, an amended rule has been suggested for inclusion as follows:

'Members' annual attendance at public meetings of the Council will be published on the website. If a Member fails to comply with the performance target whereby

they should attend at least 65% of all meetings of the bodies to which they have been appointed, then the matter will be considered by the Monitoring Officer, who will consult with the Chairman of Council. Where there are no justified reasons for the performance target being missed, the Monitoring Officer will write to the Member and request that they return a clearly defined proportion of their Basic Allowance.'

2.2.2 **Part 2 – Article 7: Regulatory and Other Bodies and Part 2 – Article 9: Joint Arrangements:** to delete reference to the Shared Services Steering Group and replace it with details relating to the T18 Steering Group.

2.2.3 **Part 2 – Article 10: Officers:** to update the functions of the Monitoring Officer to enable the postholder to make decisions on Standards Complaints in accordance with the adopted procedures.

2.2.4 **Part 3 – Delegation Scheme:** to amend the terms of reference of the full Council to make it a requirement for any changes to the political composition of the Council to be reported to the next meeting for noting purposes. In addition, it is suggested that the Audit Committee be assigned responsibility for the Council's Data Protection Policy.

2.2.5 **Part 4 – Council Procedure Rules:** to amend rule 10.3: 'Notices of Motion' to read as follows:

'Motions must relate to services which the Council provides, commissions or formally contributes to financially or otherwise through Partnership working.

If a submitted motion does not meet these requirements, the Monitoring Officer has delegated authority, in consultation with the Chairman of Council, to determine whether or not a motion is presented to a meeting of the Council.'

2.2.6 **Part 4 – Financial Procedure Rules:** to amend the rules whereby the lower limits in relation to asset acquisitions and disposals be increased from £25,000 to £50,000 before there is a requirement for any Member involvement.

2.3 In respect of the Contract Procedure Rules, officers have advised that a detailed review is required. As a consequence, it is recommended that this be conducted in the ensuing months, with a report presented back to a future Committee meeting.

2.4 It is recognised that, primarily as a consequence of the Boundary Review and the evolving Transformation Programme, there is likely to be more extensive and wide ranging amendments required to the Constitution during the annual review in spring 2015.

3. LEGAL IMPLICATIONS

3.1 The Local Government Act 2000 requires the Council to have (and to maintain) a Constitution.

3.2 The Monitoring Officer must review the Constitution annually and make recommendations to the Audit Committee, who in turn must recommend its adoption to full Council. Only the Council can approve and adopt the Council's Constitution.

4. FINANCIAL IMPLICATIONS

4.1 There are no financial implications to this report

5. RISK MANAGEMENT

5.1 The risk management implications are shown at the end of this report in the Strategic Risk Template:

6. OTHER CONSIDERATIONS

Corporate priorities engaged:	All
Considerations of equality and human rights:	None directly arising from this report
Biodiversity considerations:	None directly arising from this report
Sustainability considerations:	None directly arising from this report
Crime and disorder implications:	None directly arising from this report
Background papers:	The suggested amendments to the Constitution

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Fit for purpose Constitution	Failure to review the Constitution and approve the changes could lead to unlawful decisions being taken.	2	2	4	↔	The Council undertakes an annual review of the Constitution to ensure that it is up to date and reflects current practice and law.	Democratic Services Manager / Monitoring Officer

Page 141
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Part 2

Articles of the Constitution



Article 2: Members of the Council

CONTENTS OF THE ARTICLE

This Article sets out the composition of the Council, eligibility to stand for election as a Member of the Council (Member) and the form of election to be used.

The Article also contains a statement of the roles and functions of Members of the Council. This reinforces the fact that all Councillors, whatever their formal position in the Council and party political system, share common roles and responsibilities.

The Article also deals with the rights and duties of Councillors, especially as they affect access to land, buildings, documents and information and any confidentiality requirements surrounding the latter.

2.1 Composition and eligibility

- (a) **Composition:** The Council comprises 40 Members, otherwise called Councillors. All Councillors will be elected by the voters of each ward in accordance with a scheme drawn up by the Local Government Commission and approved by the Secretary of State.
- (b) **Eligibility:** Only people who live or work in the district, or are registered voters in the South Hams, will be eligible to hold the office of Councillor.

2.2 Election and terms of Councillors

- (a) **Election:** The regular election of Councillors will be held once every four years on the first Thursday in May.
- (b) **Term:** The terms of office of Councillors will start on the fourth day after being elected and will finish on the fourth day after the date of the next regular election.

2.3 Roles and functions of all Councillors

- (a) **Key roles.** All Councillors will:
- (i) collectively be the ultimate budget policy-makers and carry out a number of strategic and corporate management functions;
 - (ii) represent their communities and bring their views into the Council's decision-making process, ie become the advocate of and for their communities;
 - (iii) deal with individual casework and act as an advocate for constituents in resolving particular concerns or grievances;
 - (iv) balance different interests within their ward and represent the ward as a whole; and balance the interests of other wards against their own to represent the interests of the District as a whole;
 - (v) contribute to the good governance of the area and actively encourage community participation and citizen involvement in decision making;
 - (vi) be involved in decision-making;
 - (vii) be available to represent the Council on other bodies; and
 - (viii) maintain the highest standards of conduct and ethics.
- (b) **Rights and duties**
- (i) Councillors will have such rights of access to such documents, information, land and buildings and resources of the Council as are necessary for the proper discharge of their functions and in accordance with the law.
 - (ii) Councillors will not make public information which is "confidential" or "exempt" from disclosure without the consent of the Council or divulge information given in confidence to anyone other than a Councillor or officer entitled to know it. A description of information which is "confidential" and "exempt" is given in the Access to Information Rules in Part 4 of this Constitution.
 - (iii) For the purposes of their role as community representatives, councillors will be registered as data controllers under the provisions of the Data Protection Act 1998 and will conform to its requirements in respect of the handling of personal data.

- (iv) Councillors will develop and maintain a working knowledge of the authority's services and policies and take advantage of appropriate training and personal development opportunities to enable them to fulfil their role.

2.4 Conduct

- (a) Councillors will at all times observe the Members' Code of Conduct and the Protocol on Councillor / Officer Relations set out in Part 5 of this Constitution.
- (b) Councillors and co-opted members will register, and keep up to date, their personal interests in the Register of Interests kept by the Monitoring Officer in accordance with the Code of Conduct set out in Part 5 of this Constitution
- (c) ~~Councillors will register all gifts and hospitality received to the value of £25 or more in the Register of Gifts and Hospitality kept by the Monitoring Officer in accordance with the Code of Conduct set out in Part 5 of this Constitution.~~
- (d) Details of the Register are set out in Part 2 of the Code of Conduct. The Register is available for public inspection at the Council's offices and on the Council's website.

2.5 Allowances

Councillors will be entitled to receive allowances in accordance with the Scheme of Members' Allowances set out in Part 6 of this Constitution.

2.6 Use of Email

Where any written communication is to be made, or a summons or notice given to Councillors, it will be made or given by electronic mail whenever possible.

2.7 Application to Co-opted Members of Council Bodies

The following provisions of this Article apply to people who are co-opted into membership of Council Committees and other bodies as they apply to Councillors:

- Article 2.3 (a) (v), (vii) and (viii);
- Article 2.3 (b) (ii) and (iv);
- Article 2.4;
- Article 2.5;
- Article 2.6.

2.8 Annual Attendance at Public Meetings

Members' annual attendance at public meetings of the council will be published on the website.

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If a Member fails to comply with the performance target whereby they should attend at least 65% of all meetings of the bodies to which they have been appointed, then the matter will be considered by the Monitoring Officer, who will consult with the Chairman of Council. Where there are no justified reasons for the performance target being missed, the Monitoring Officer will write to the Member and request that they return a clearly defined proportion of their Basic Allowance.

Part 2

Articles of the Constitution



Article 7: Regulatory Bodies, Committees, Panels and Working Groups

7.1 Regulatory Bodies

The Council will appoint the following bodies:

Development Management Committee

Number of councillors: to be determined each year at the annual meeting of Council

Licensing Committee

Number of councillors: 12

These bodies will discharge the functions described in the Delegation Scheme in Part 3.

7.2 Standing Committees

The Council will appoint the following standing Committees and Panels:

Audit Committee

Number of councillors: 5

Community Life & Housing Scrutiny Panel

Number of councillors: 12

Corporate Performance and Resources Scrutiny Panel

Number of councillors: 8

Council Tax Setting Panel

Number of councillors: 4

Economy and Environment Scrutiny Panel

Number of councillors: 12

Salcombe Harbour Board

Number of members: Up to 10 (made up of four district councillors and six co-opted members).

These bodies will discharge the functions described in the Delegation Scheme in Part 3.

7.3 Other Bodies

The Council will appoint Members to the following bodies:

Asset Management Group

Number of councillors: 1. Number of officer representatives: 8

Design Review Panel

Number of councillors: 3. Number of officer representatives: 6. Architects: 3
Local town and parish councils: 2

Devon Building Control Partnership

Number of councillors: 2 from South Hams DC, 2 from Teignbridge DC and 2 from West Devon BC.

Joint Staff Consultative Forum

Number of councillors: 3. Number of staff representatives: 19

Political Structures Working Group

Number of councillors: 8

Programming Panel

Number of councillors: 5, being the Chairman of the Executive, the Chairman of each of the 3 Scrutiny Panels and the Vice-Chairman of the Corporate Performance and Resources Scrutiny Panel

Public Spaces Working Group

Number of councillors: 4

~~**Shared Services Joint Steering Group**~~

~~Number of councillors: 3 from South Hams DC, 3 from West Devon Borough Council~~

Slapton Line Steering Group

Number of councillors: 2

Strategic Planning Working Group

Number of councillors: 6

T18 Steering Group

Number of councillors: 16 (8 Executive Members at South Hams District Council, 8 Chairs and Vice-Chairs at West Devon Borough Council)

These bodies will discharge the functions described in the Delegation Scheme Part 3.

Part 2

Articles of the Constitution



Article 9: Joint Arrangements

9.1 Arrangements to promote well being

The Council or the Executive, in order to promote the economic, social or environmental well-being of its area, may:

- (a) enter into arrangements or agreements with any person or body;
- (b) cooperate with, or facilitate or coordinate the activities of, any person or body; and
- (c) exercise on behalf of that person or body any functions of that person or body.

9.2 Joint arrangements

- (a) The Council may establish joint arrangements with one or more local authorities or their Executives to exercise functions (which are not Executive functions) in any of the participating authorities or to advise the Council and may appoint Members to a joint committee with these other local authorities.
- (b) Details of any joint arrangements including any delegations to joint committees will be found in the Council's Delegation Scheme in Part 3 of this Constitution.

9.3 Access to information

- (a) The Access to Information Rules in Part 4 of this Constitution apply.
- (b) If all the Members of a joint committee are also Members of the Executive in each of the participating authorities, then its access to information regime is the same as that applied to the Executive.
- (c) If the joint committee contains Members who are not on the Executive of any participating authority then the access to information rules in Part VA of the Local Government Act 1972 will apply.

9.4 Delegation to and from other local authorities

- (a) The Council may delegate non-executive functions to another local authority or, in circumstances defined in law, the executive of another local authority.
- (b) The Executive may delegate executive functions to another local authority or the executive of another local authority in circumstances defined in law.
- (c) The decision whether or not to accept such a delegation from another local authority shall be reserved to the Council.

9.5 Contracting out

The Council, for functions which are not Executive functions, and the Executive for Executive functions, may contract out to another body or organisation functions which may be exercised by an officer and which are subject to an order under Section 70 of the Deregulation and Contracting Out Act 1994, or under contracting arrangements where the contractor acts as the Council's agent under usual contracting principles, provided there is no delegation of the Council's discretionary decision making.

9.6 Shared Services

- (a) The Council may share its services with West Devon Borough Council and Teignbridge District Council and further authorities as approved by the Council from time to time.

Joint-T18 Steering Group (JSG)

- (b) ~~Services shared~~The T18 Programme with West Devon Borough Council will be overseen by ~~a Joint Steering Group (JSG)~~the T18 Steering Group. This is a joint Group comprising ~~Members and Chief Officers from South Hams District Council and West Devon Borough Council~~of the Executive Members at South Hams District Council and the Chairs and Vice-Chairs at West Devon Borough Council.
 - Members are appointed to serve on this Joint Steering Group at the annual meeting of Council.
 - ~~The Officers that have been appointed from South Hams are the Executive Directors~~No officers are appointed to serve on this Steering Group but support is provided by the Executive Directors.

- (c) ~~The JSG-T18 Steering Group is not a decision making body and it will make recommendations to the Executive. It leads on shared services by monitoring, overseeing and making recommendations on the Shared Services Programme. The JSG provides regular information reports to the Executive, but all decisions on business cases and any other decisions on the implementation of Shared Services with another local authority are taken to the Executive (sitting as a committee) or Council, as appropriate, for approval.~~

- (d) ~~In order to meet the Council's objectives, Delegated Authority to make decisions on urgent matters on shared services issues has been granted to the Executive Directors (and other Senior Officers as appropriate) in consultation with the Leader and Deputy Leader. The T18 Steering Group is responsible for:~~
 - ~~the overall direction of the T18 Programme;~~
 - ~~providing a high level strategic steer;~~
 - ~~championing the Programme to internal/external stakeholders; and~~
 - ~~creating an environment in which the Programme can thrive.~~

- (e) ~~The T18 Steering Group will be required to review the Programme direction against strategic priorities but it is anticipated that the Steering Group will meet two to three times per year.~~

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Part 2

Articles of the Constitution



Article 10: Officers

10.1. Management structure

- (a) The Council may engage such staff (referred to as officers) as it considers necessary to carry out its functions.
- (b) The Council will engage persons for the posts as outlined in Part 7 (Management Structure). All of these officers are shared appointments with West Devon Borough Council.
- (c) For the purposes of the functions described in Article 12.2–12.4 below and the Officer Employment Procedure Rules (in Part 4), the Council designates the following posts as shown:

Post	Designation
Executive Director (Communities)	Head of Paid Service
Head of Corporate Services	Returning Officer <u>and Electoral Registration Officer</u>
Head of Finance & Audit	Section 151 Officer
Monitoring Officer <u>Council Solicitor</u>	Monitoring Officer
Executive Director (Resources)	Non-Statutory Chief Officer
Heads of Service	Deputy Chief Officers

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- (d) The overall departmental structure of the Council, showing the management structure and deployment of officers, is also set out at Part 7 of this Constitution.

10.2 Functions of the Head of Paid Service

- (a) **Discharge of functions by the Council:** The Head of Paid Service will report to Full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers.
- (b) **Restrictions on functions:** The Head of Paid Service may not be the Monitoring Officer but may hold the post of Section 151 Officer if a qualified accountant.

10.3 Functions of the Monitoring Officer

- (a) **Maintaining the Constitution:** The Monitoring Officer will maintain an up-to-date version of this Constitution and will ensure that it is widely available for consultation by Members, staff and the public.
- (b) **Ensuring lawfulness and fairness of decision making:** After consulting with the Head of Paid Service and Section 151 Officer, the Monitoring Officer will report to the Full Council or to the Executive in relation to an Executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

- (c) **Proper officer for access to information:** The Monitoring Officer will ensure that decisions, together with the reasons for those decisions and relevant officer reports and background papers are made publicly available as soon as possible.
- (d) **Contributing to Corporate Management:** The Monitoring Officer will contribute to the corporate management of the authority in particular by acting as the Solicitor to the Council and providing professional legal advice to the Council.
- (e) **Supporting the Corporate Performance and Resources Scrutiny Panel in respect of Code of Conduct matters:** The Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct of Members of the Council by providing support to the Panel when required, contributing to the training of Members and the provision of advice for them. The Monitoring Officer will make decisions on standards complaints in accordance with the 'Dealing with Complaints' procedure and Hearing procedure.
- (f) **Conducting investigations into alleged breaches of the Member Code of Conduct:** The Monitoring Officer will arrange for the conduct of investigations into, and take other action upon, matters referred by the Monitoring Officer and/or Corporate Performance and Resources Scrutiny Panel and make reports or recommendations in respect of them to the Panel.
- (g) **Advising whether Executive decisions are within the budget and policy framework and the principles of decision making (set out in Article 11):** The Monitoring Officer will advise whether decisions of the Executive are in accordance with the budget and policy framework.
- (h) **Providing advice:** The Monitoring Officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity, and budget and policy framework issues to all Members.
- (i) **Restrictions on posts:** The Monitoring Officer cannot be the Section 151

Officer or the Head of Paid Service.

10.4 **Functions of the Section 151 Officer**

- (a) **Ensuring lawfulness and financial prudence of decision-making:** After consulting with the Head of Paid Service and the Monitoring Officer, the Section 151 Officer will report to the full Council or to the Executive in relation to an Executive function and the Council's external auditor if he or she considers that any proposal, decision or course of action will –
- involve incurring unlawful expenditure; or
 - is unlawful; or
 - is likely to cause a loss or deficiency; or
 - involve the Council entering an item of account unlawfully.
- (b) **Administration of financial affairs:** The Section 151 Officer will have responsibility for the administration of the financial affairs of the Council.
- (c) **Contributing to corporate management:** The Section 151 Officer will contribute to the corporate management of the Council, in particular through the provision of professional financial advice.
- (d) **Providing advice:** The Section 151 Officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity, and budget and policy framework issues to all Members and will support and advise Members and officers in their respective roles.
- (e) **Give financial information:** The Section 151 Officer will provide financial information to the media, members of the public and the community.

10.5 **Duty to provide sufficient resources to the Monitoring Officer and Section 151 Officer**

The Council will provide the Monitoring Officer and Section 151 Officer with such officers, accommodation and other resources as are in their opinion sufficient to allow their duties to be performed.

10.6 **Conduct**

Officers will comply with the Officers' Code of Conduct and the Protocol on Officer/Member Relations set out in Part 5 of this Constitution.

10.7 **Employment**

The recruitment, selection and dismissal of officers will comply with the Officer Employment Procedure Rules set out in Part 4 of this Constitution.

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Part 3 Delegation Scheme

Contents of Part 3 of the Constitution

- 1. General Overview of the Constitution**
- 2. Principles of Delegation**
- 3. Delegations to Council**
- 4. Delegations to Executive**
- 5. Delegations to Committees**
 - Audit
 - Development Management Committee
 - Licensing Committee
 - Scrutiny Panels
 - Salcombe Harbour
 - Other Council Bodies
- 6. Delegations to Senior Officers**
 - Matters reserved for Council or Committee
 - Urgent items
 - Delegation to Specific Senior Officers
 - Head of Paid Service
 - Executive Directors
 - Monitoring Officer
 - Heads of Service
 - Devon Building Control Partnership

1. GENERAL OVERVIEW OF THE CONSTITUTION

1.1 This Part of the Constitution deals with the manner in which the Council carries out its business. It sets out:

What statutory functions have been assigned by law to the Council?

- What other functions it has, by virtue of being a large organisation that owns property, employs staff and so on;
- Which Council body (Council itself, the Executive, or a Committee) is –
 - Responsible for carrying out any of these functions, or
 - Responsible for overseeing how each of these functions is carried out;
- Which senior officer is responsible to the Council for carrying out each of those functions; and,
- The extent of powers delegated to any Council body, individual Member of the Executive, or officer to carry out any function.

1.2 The Council operates executive arrangements which are as set out in Part 2 of this Constitution. Under those arrangements –

- certain functions are restricted to the full Council;
- certain other functions are required to be carried out by a regulatory Committee, such as Development Management and Licensing;
- certain other committees have specific functions, namely Audit, and the Scrutiny Panels; and,
- the Council has chosen to have functions relating to the operation of the Salcombe Harbour carried out through the Salcombe Harbour Board.

Everything else is the responsibility of the Executive. The details of the arrangements are set out in this Part.

1. GENERAL OVERVIEW OF THE CONSTITUTION (cont'd)

Functions assigned by law

- 1.3 Councils carry out a large range of functions conferred upon them by Parliament. The list is too extensive to be placed here but there are some indications and examples in the Scheme of Delegation which follows. In addition, under the Localism Act 2011 the Council has been given a general power of competence, enabling it to do anything that an individual might do. This is subject to certain qualifications.
- 1.4 The organisational functions flowing from statutory powers are carried out as described in the Scheme of Delegation. This is in two parts:
- the powers exercisable by Members of the Council, in whatever capacity; and,
 - those exercisable by officers.
- 1.5 In this Part are summarised the functions specified in the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, as amended, which are reserved to Council, those which may or must be exercised by the Executive, and those which must not be exercised by the Executive. The body or person to whom the function is assigned is named.
- 1.6 The Principles of Decision Making are set out in Part 2, Article 11.

2. PRINCIPLES OF DELEGATION

2.1 Section 101 of the Local Government Act 1972 provides that:

- A Council may delegate its powers (except those incapable of delegation) to a committee or an officer
- A Committee may delegate its powers to a sub-committee
- A Committee may delegate its powers to an officer
- Powers which have been delegated may be exercised by the delegating body.

2.2 Any delegation to the Executive, an individual Executive Member, Committee or a Senior Officer (i.e. Executive Directors, Heads of Service and the Monitoring Officer) shall be exercised in compliance with the Council's Constitution, any other policies or conditions imposed by the Council and with the law.

2.3. In making any decision regard shall be had to the Council's Priorities and principles of decision-making as set out in Article 11 of the Constitution.

2.4 A Senior Officer may nominate another named Officer to carry out any powers and duties which have been delegated to that Senior Officer.

2.5 If any officer to whom a function has been delegated is for any reason unable to act, or if the post of any such officer is vacant, the Head of Paid Service, or in his absence, any other Chief Officer may exercise the delegated power.

2.6 In an emergency, the Head of Paid Service is empowered to carry out any function of the Council.

2.7 Where officers are contemplating any action under delegated powers which is likely to have a significant impact in a particular area, they should also consult the relevant local ward Members.

2.8 A delegated officer must ensure that s/he obtains appropriate advice from the Council's legal, financial and other specialist staff before action is taken.

2.9 The Monitoring Officer may make consequential amendments to the Delegation Scheme to reflect the re-designation of posts in any Service which affects the terms of the scheme.

2.10 The Monitoring Officer shall settle any points requiring interpretation or clarification in the practical application of this Delegation Scheme.

3. DELEGATIONS TO FULL COUNCIL

Only the Council may exercise the following functions:

- To adopt and approve the Constitution and governance arrangements including the form of the executive
- To approve and adopt or amend the Policy Framework
- To approve and adopt the Budget
- To determine the Council's Priorities
- To appoint the Chairman and Vice-Chairman
- To appoint the Council Leader and Deputy Leader
- To appoint Committee Chairmen and Vice-Chairmen
- To appoint members of the Executive
- To appoint and to agree or amend the terms of reference for bodies of the Council, to decide on their composition and to make appointments to them
- To appoint representatives to outside bodies (unless the appointment is a function of the Executive or has been delegated by the Council);
- To receive for noting at the next Council meeting any amendments to the political composition of the Council
- To adopt the schedule of meetings for the ensuing year
- To approve joint arrangements for the discharge of any of the Council's functions by another local authority
- To authorise or approve Members' duties in connection with Council business for the purposes of their allowances
- To consider the recommendations of the Independent Remuneration Panel and adopt a Scheme for Members' Allowances that can be claimed by Members of the Council in respect of authorised or approved duties.
- To make any decisions which would be contrary to the Policy Framework
- To determine matters involving expenditure for which budget provision is not made or is likely to be exceeded

3. DELEGATIONS TO FULL COUNCIL (cont'd)

- To determine matters which do not fall within the remit of the Executive or any Committee or body
- To appoint the Head of Paid Service, chief and deputy chief officers and statutory officers
- To determine matters affecting or likely to affect more than one Council body or where consultation with or approval of more than one Council body is required
- To determine any matters referred to it by a Committee in accordance with Procedure Rule 14
- To make decisions concerning district boundaries, elections, electoral areas and divisions, wards or polling districts taking account of recommendations from time to time by the Boundary Committee/Commission
- To make orders for the grouping of parishes, and make appointments to vacant seats on a parish council where it is not quorate
- To make community governance orders.
- To direct the executive to reconsider any draft plan or strategy submitted for the Council's consideration
- To approve for public consultation draft proposals for the alteration or replacement of a development plan
- To amend any draft plan or strategy submitted for the Council's consideration
- To approve for submission to the Secretary of State or any Minister of the Crown a draft plan or strategy
- To adopt any draft plan or strategy submitted for the Council's consideration with or without modifications
- To maintain a system of internal control that identifies objectives and obligations, the risk to the achievement of these objectives and obligations and controls to mitigate the risks
- To approve the Annual Governance Statement and to receive an annual report on the risk management process
- To borrow money
- To receive statutory reports from the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer

3. DELEGATIONS TO FULL COUNCIL (cont'd)

- To determine whether or not to accept delegation from another local authority
- To approve the Treasury Management Strategy and Investment Strategy
- To make, amend, revoke, re-enact or adopt bylaws and to promote or oppose the making of local legislation or private Parliamentary Bills
- To change the name of the District
- To confer the title of Honorary Alderman
- To consider all local choice functions set out in Part 3 of this Constitution which the Council decides should be undertaken by itself rather than the Executive

4. DELEGATIONS TO THE EXECUTIVE

Responsibilities:

- 4.1 The Executive is responsible for determining and arranging for the carrying out of all and any functions except those which–
- i. are on the list of matters reserved for full Council, or
 - ii. are specifically delegated to another Council body or an officer, or
 - iii. the Executive is prevented by law from doing.
- 4.2 Certain functions are as a matter of local choice carried out by the Executive and for clarity these are listed below.
- 4.3 The list of matters reserved to full Council is set out above in this Part of this constitution.
- 4.4 The matters delegated to another Council body or to an officer are listed below in this part of the Constitution.
- 4.5 The matters which the Executive is prevented by law from doing are these:
- a. Functions relating to town and country planning and development control, the protection of trees and hedgerows and complaints about high hedges which are delegated to the Development Management Committee and the Head of Planning, Economy and Community.
 - b. Functions relating to licensing and regulation of liquor sales and entertainments, gambling, taxis and other miscellaneous activities and trades, health and safety at work and smoke-free premises, all of which are delegated to the Licensing Committee and the Head of Environmental Health and Housing.
 - c. Power to make, amend, revoke, or re-enact byelaws which remains with the Council or to enforce byelaws which is delegated to the relevant Head of Service
 - d. Miscellaneous functions which mostly remain with the Council, namely:
 - making standing orders to regulate procedures and governance of contracts and procurement;
 - designation of the Head of Paid Service, the monitoring officer, and provision of their staff;
 - making arrangements for proper administration of financial affairs including the appointment of the S151 Officer;

- approving the Council’s statement of accounts, income and expenditure and balance sheet, or record of payments and receipts – although the Executive will consider and recommend approval;

4. DELEGATIONS TO THE EXECUTIVE (cont’d)

d. Miscellaneous functions which mostly remain with the Council, namely: (cont’d)

- approving the Members’ Allowances Scheme;
- making arrangements for the discharge of functions by a committee or officer, or by another local authority, making appointments to committees and delineating the voting rights of co-opted members or scrutiny panels;
- making requests for electoral schemes or making community governance orders;
- making payments or providing other benefits in cases of maladministration etc. which are delegated to the head of paid service;
- appointing staff, and determining the terms and conditions on which they hold office (including procedures for their dismissal) which are delegated to the Head of Paid Service;
- appointing “proper officers” which is delegated to the Head of Paid Service and Heads of Service.

4.6 Where the Executive is prohibited from carrying out particular functions it is also prohibited from –

- a. imposing any condition, limitation or other restriction on an approval, consent, licence, permission or registration or determining any other terms to which any such approval, consent, licence, permission or registration is subject, or
- b. amending, modifying, varying or revoking any such approval, consent, licence, permission or registration or any condition, limitation or term to which it is subject or
- c. determining whether, and in what manner, to enforce against any failure to comply with an approval, consent, licence, permission or registration or any failure to comply with a condition, limitation or term to which any such approval, consent, licence, permission or registration is subject, or other contravention or
- d. determining whether to make a charge for any approval, consent, licence, permit or registration and the amount of any such charge.

4. DELEGATIONS TO THE EXECUTIVE (cont'd)

4.7 As a matter of local choice, the Executive will carry out the following functions:

- i. Any functions under any local Act except for the Pier and Harbour Order (Salcombe) Confirmation Act 1954.
- ii. Determination of appeals from any decisions made by the authority.
- iii. Functions relating to drafting, submitting, revising and publishing local area agreements.

4.8 The following “local choice” functions will be delegated to officers:

- review of council tax and housing benefit applications;
- functions relating to contaminated land, control of pollution, or air quality;
- inspection, detection and service of an abatement notice for statutory nuisance;
- The obtaining of information and particulars about persons interested in land.

4.9 The following “local choice” functions are reserved to Council:

4.9.1 The appointment of any individual -

4.9.1.1 to any office other than an office in which s/he is employed by the authority;

4.9.1.2 to anybody other than -

- the authority;
- a joint committee of two or more authorities; or
- to any committee or sub-committee of such a body, and

4.9.1.3 the revocation of any such appointment.

4.9.2 The making of agreements with other local authorities for the placing of staff at the disposal of those other authorities

- 4.9.3 The passing of a resolution that Schedule 2 to the Noise and Statutory Nuisance Act 1993 should apply in the authority's area

4. DELEGATIONS TO THE EXECUTIVE (cont'd)

- 4.10 In discharging the functions of preparing for adoption a plan or strategy listed below, the Executive may consider and make a recommendation about them to Council:
- Control of borrowing, investments, capital expenditure or determining the authority's minimum revenue provision;
 - Licensing Authority Policy Statement;
- 4.11 In the following circumstances, the Executive may not exercise the functions described below:
- 4.11.1 When the decision to approve any plan or strategy other than those listed above has been reserved to itself by Council;
- 4.11.2 When an individual member of the Executive or the Executive as a body is minded to determine a matter relating to the authority's budget, borrowing or capital expenditure in a manner that is either –
- not in accordance with the budget or any current capital investment plan, or
 - not authorised by the authority's executive arrangements, financial regulations, standing orders or other rules or procedures in the intended terms;
- 4.11.3 When an individual member of the Executive or the Executive as a body is minded to determine a matter which is the Executive's responsibility in a manner that is not in accordance with a plan or strategy that has been approved by Council.
- 4.12 For the avoidance of doubt,
- 4.12.1 The Executive will manage all the Council's land and property;
- 4.12.2 The Executive will, having regard to the views of the relevant Scrutiny Panel, keep under review and recommend to Council the fees and charges for the Council's services (other than those within the remit of the Development Management Committee and the Licensing Committee) where

- i. statutory authority exists for the levying of such charges, and
- ii. where, in the opinion of the Head of Finance and Audit, the levying of such charges will not give rise to a material adverse impact on the overall budget of the Council.

4.12.3 The Executive will be responsible for approval of Delivery Plans which are subordinate to the Plans listed in paragraph 10 above.

5. DELEGATIONS TO COMMITTEES

AUDIT COMMITTEE

General Function:

The Audit Committee will provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment and to oversee the financial reporting process

Responsibilities

To carry out the Council's responsibilities for the following areas:

Internal Audit

To consider and approve (but not direct) the Internal Audit Terms of Reference (Charter), Strategy and Audit Plans.

To consider:

- Progress on the Internal Audit Plan and summary of internal audit activity, opinions and findings;
- The Internal Audit Annual Report including an opinion on the Council's overall control environment for the purpose of the Annual Governance Statement;
- Reports dealing with the management and performance of the internal audit service providers (known as the 'effectiveness of the system on internal audit');
- Reports from Internal Audit on agreed recommendations not implemented within a reasonable timescale (known as 'follow up');
- Reports on data quality to ensure that all performance information meets data quality standards; and
- The monitoring of the progress of Internal Audit plans including summaries of Internal Audit reports.

To promote:

- Internal control, including commissioning work from internal audit in association with the s151 officer and monitor audit performance;
- To make any necessary recommendations to the relevant Committee or Council in respect of the above.

5. DELEGATIONS TO COMMITTEES

AUDIT COMMITTEE

Responsibilities (cont'd)

External Audit

To consider:

- The External Auditor's Annual Governance Report and other relevant external audit reports;
- External Audit work to ensure that it gives value for money;
- The External Audit plans;
- Reports dealing with the management and performance of the external audit service providers; and
- Commission work and other specific reports from external audit as agreed with the External Auditor in association with the s151 officer.

Accounts

- To review and approve the Annual Statement of Accounts and to consider whether appropriate accounting policies have been followed;
- To consider the External Auditor's report on the annual audit of accounts;
- To make any necessary recommendations to the relevant Committee or Council in respect of the above.

Regulatory Framework

To:

- Maintain an overview of the Council's Constitution;
- Recommend to Council the adoption of:
 - A Code of Corporate Governance
 - Antifraud, Corruption and Bribery Strategy
 - Anti Money Laundering Policy
 - Risk Management Policies
- Oversee the System of Internal Control and Annual Governance Statement;
- To monitor Value for money (including benchmarking);

- To make any necessary recommendations to the relevant Committee or Council in respect of the above.

5. DELEGATIONS TO COMMITTEES

AUDIT COMMITTEE

Responsibilities (cont'd)

Review and Scrutiny of Strategies

To monitor:

- Risk Management Strategy;
- The Assurance Framework (including System of Internal Control);
- Code of Corporate Governance
- Antifraud, Corruption and Bribery Strategy
- Anti Money Laundering Policy
- Whistle-blowing Policy
- To make any necessary recommendations to the relevant Committee or Council in respect of the above.
- To oversee and monitor the Data Protection Policy

5. DELEGATIONS TO COMMITTEES

DEVELOPMENT MANAGEMENT COMMITTEE

Responsibilities

The Development Management Committee is responsible for and authorised to consider and make determinations (with or without site inspection, subject to statutory and other appropriate consultation and subject to the concurrent exercise of powers by Officers under the Scheme of Delegation (set out in this Part of the Constitution) in the following areas:

PLANNING

5.1 Development Management and Control

- Advertisement Control.
- Agreements regulating the development or use of land.
- Applications by Local Planning Authorities.
- Authority to determine whether planning permission required.
- Certificate of Appropriate Alternative Development. (Land Compensation Act)
- Certificates of Lawful Use or Development.
- Consultations by Crown and Duchy.
- Discontinuance of use or alteration or removal of buildings or works.
- Electricity Supply Acts Consultations.
- Enforcement Control (including Planning Contravention Notices, Requisitions, Breach of Condition Notices, Stop Notices (including temporary stop notices) etc)
- General Planning Control including the determination of planning applications
- Land adversely affecting the amenity of the neighbourhood.
- Authorising Prosecutions
- Provisions as to compensation and provisions enabling an owner to require the purchase of an interest.
- Responding to Dartmoor National Park, and other neighbouring authority consultations.

5. DELEGATIONS TO COMMITTEES

DEVELOPMENT MANAGEMENT COMMITTEE (cont'd)

PLANNING

5.1 Development Management and Control (cont'd)

- Responding to Statutory and other consultees
- Revocation or modification of planning permission.
- Telecommunication Mast Applications.
- To extinguish/divert public rights of way under the Town and Country Planning Acts and to make representations to other Authorities in relation to their exercise of these powers under that or other legislation.

5.2 Conservation - Historic Buildings

- Building Preservation Notices.
- Compulsory acquisition of buildings in need of repair and related powers.
- Historic Building Grants
- Listed Building Consents and Conservation Area Consents.
- Listed Building Enforcement.
- Revocation or modification of Listed Building Consent.
- Urgent repairs or works

5.3 Community Landscaping

- High Hedges
- Hedgerows
- To comment on consultations by the Forestry Commission.
- To offer grant aid for tree surgery to trees of public amenity importance within the financial limits set down in the Council's estimates.
- Tree Preservation Orders and related control and enforcement.

5. DELEGATIONS TO COMMITTEES

DEVELOPMENT MANAGEMENT COMMITTEE (cont'd)

Relevant Statutory Powers

- Town and Country Planning Act 1990
- Planning (Listed Buildings and Conservation Areas) Act 1990
- Planning (Hazardous Substances) Act 1990
- Planning (Consequential Provisions) Act 1990
- Planning and Compensation Act 1991
- Planning Act 2008
- Planning and Energy Act 2008
- Caravan Sites and Control of Development Act 1960
- Anti Social Behaviour Act 2003
- Localism Act 2011

or any statutory re-enactment, amendment or variation of any of them as from time to time determined by Parliament.

5.4. Local Land Charges

- To provide and administer a comprehensive Land Charges system.

Fees

To keep under review the fees and charges for the Committee's services where statutory authority exists for the levying of such charges and to levy the same where, in the opinion of the Head of Finance and Audit, the levying of such charges will not give rise to a material adverse impact on the overall budget of the Council.

5. DELEGATIONS TO COMMITTEES (cont'd)

LICENSING COMMITTEE

Responsibilities

- To be responsible for all of the Council's licensing functions including:
- To review and recommend to Council:
 - the Licensing Statement of Policy
 - the Gambling Statement of Principles
 - the Policy not to permit casinos
- To review and be responsible for all other Licensing Policies
- To determine the revocation and suspension of Hackney Carriage / Private Hire Driver or Vehicle Licenses
- To determine all licensing applications for all licensing functions (except in relation to the licensing functions under the Licensing Act 2003 and the Gambling Act 2005 - see below) to which an objection has been received and not withdrawn or satisfactorily addressed by the applicant;
- To determine the revocation of any licence.

LICENSING SUB COMMITTEES

- a) Licensing sub-committees have the following responsibilities in relation to functions under the Licensing Act 2003:
- Applications for personal licences - if there is a police objection
 - Applications for personal licences with unspent convictions – all cases
 - Review of personal licences – if there is a police objection
 - Applications for premises licence/club premises certificate – if a relevant representation is made
 - Applications for provisional statement – if a relevant representation is made
 - Application to vary premises licence/club premises certificate - if a relevant representation is made
 - Applications to vary designated premises supervisor – if police objection made
 - Applications for transfer of premises licence – if police objection
 - Applications for interim authorities – if a police objection
 - Applications to review premises licence/club premises certificate – all cases
 - Decision to object when Council is a consultee and not relevant authority - all cases
 - Determination of a police or Environmental Health objection to a temporary event notice - all cases

5. DELEGATIONS TO COMMITTEES

LICENSING SUB COMMITTEES (cont'd)

- b) Licensing sub-committees have the following responsibilities in relation to the Gambling Act 2005:
- Application for premises licence: if a relevant representation has been made and not withdrawn
 - Application for a variation to a licence: if a representation has been made and not withdrawn
 - Application for a transfer of a licence: where representations have been received from the Gambling Commission
 - Application for a provisional statement: if a representation has been made and not withdrawn
 - Review of a premises licence
 - Application for club gaming/club machine permits: where objections have been made and not withdrawn, or where refusal proposed
 - Temporary use notice: Decision to give a counter notice, or where objection notice received
 - Fees
- c) Licensing sub-committees have the following responsibilities in relation to the Hackney Carriage / Private Hire Driver or Vehicle Licences:
- Review, revocation or suspension of licences
- d) Licensing sub-committees have the following responsibilities in relation to the Miscellaneous Licences issued under the statutes listed below.
- To determine appeals from officers' decisions where required

5. DELEGATIONS TO COMMITTEES

LICENSING SUB COMMITTEES (cont'd)

d) (cont'd)

STATUTE
Local Government (Miscellaneous Provisions) Act 1976
Town Police Clauses Acts 1847 & 1889
Public Health Act 1875
Equalities Act 2010
Road Safety Act 2006
Local Government (Miscellaneous Provisions) Act 1976 as amended by Section 52 of the Road Safety Act 2006
Transport Acts 1980 & 1985
House to House Collections Act 1939
Local Government (Miscellaneous Provisions) Act 1982 – Schedule 3
Scrap Metal Dealers Act 1964 & 2013
Police, Factories etc (Miscellaneous Provisions) Act 1916
Vehicle (Crime) Act 2001 and Motor Salvage Operators Regulations 2002
Public Health Acts Amendment Act 1907 (Boats and Boatman)

Fees

To keep under review the fees and charges for the Committee's services where statutory authority exists for the levying of such charges and to levy the same where, in the opinion of the Head of Finance and Audit, the levying of such charges will not give rise to a material adverse impact on the overall budget of the Council.

5. DELEGATIONS TO COMMITTEES (cont'd)

SCRUTINY PANELS

1 Terms of Reference

The Council will appoint three Scrutiny Panels with the following functions.

Each Scrutiny Panel will:

- (a) have the ability to hold the Executive to account;
- (b) review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- (c) make reports and evidence-based recommendations to the full Council, the Executive and other bodies of the Council including those established under Joint Arrangements in connection with the discharge of any functions;
- (d) make reports and evidence-based recommendations to the full Council on any matters of broad local concern or importance within their remit;
- (e) conduct reviews and carry out community and other consultation in the analysis of policy issues and possible options;
- (f) exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Executive or an Executive Portfolio Holder or key decisions made but not yet implemented by officers;
- (g) undertake the functions within the thematic areas set out in the table below. These thematic areas will of necessity be broadly defined. Any potential confusion or duplication between the thematic areas of these bodies which may result in duplication of effort or omission will be resolved by the Programming Panel.
- (h) be able to appoint such time limited working groups as it considers appropriate to fulfil its functions;
- (i) approve its own work programme;
- (j) review the system of referrals from Scrutiny to the Executive to ensure that these are managed efficiently and do not exceed reasonable time limits as set out in this Constitution;
- (k) respond to reasonable requests from the Executive to develop or review policy not within their remit;
- (l) in the event of reports to the Executive exceeding reasonable time limits, or if the volume of such reports creates difficulty for the management of Executive business or jeopardises the efficient running of Council business, at the request of the Executive, to make decisions about the priority of referrals made;

- (m) encourage and enhance community participation in the development of policy options and general decision making.

5. DELEGATIONS TO COMMITTEES

SCRUTINY PANELS (cont'd)

Group	Thematic area
Economy and Environment	Enhancing the prosperity of businesses, communities and individuals, and maintaining and enhancing the quality of the environment.
Community Life and Housing	<ul style="list-style-type: none"> • Securing safe and healthy communities and securing a supply of affordable housing for local people. • Considering leisure contract monitoring reports and undertake an annual review in line with the Funding and Management Agreement. • Discharging the functions of a Crime and Disorder Scrutiny Committee.
Corporate Performance and Resources	<p>The performance of the “back office” services, complaints (including Ombudsman complaints and those against Members alleging a breach of the Code of Conduct), access to information and related policies and protocols.</p> <p>To be responsible for the new standards responsibilities under the Localism Act (to include the new Code, Registers of Interests, training, advice, standards complaints, investigations, considering reports, hearings, sanctions and dispensations).</p>

2 Scrutiny: Specific Functions

Each Scrutiny Panel will, within its own thematic area:

- (a) review and scrutinise the decisions made by and performance of the Executive or council officers both in relation to individual decisions and decisions made over time and may question Members of the Executive and officers whether generally or in relation to specific decisions, initiatives or projects;
- (b) scrutinise the need for and the appropriateness of the Council's policies and the effectiveness of the outputs of the delivery systems in achieving the outcomes of those policies;
- (c) review and scrutinise the performance of the Council in relation to its budget, policy objectives, performance targets or particular service areas, and assist in

the development of the budget and policy framework by in-depth analysis of the current provision, performance and policy issues;

5. DELEGATIONS TO COMMITTEES

SCRUTINY PANELS (cont'd)

2 Scrutiny: Specific Functions (cont'd)

- (d) make recommendations to the Executive and Council arising from the outcome of the scrutiny process and its reviews;
- (e) review and scrutinise the performance of other public bodies in the area and invite reports from them by requesting them to address a Scrutiny Panel and local people about their activities and performance; and
- (f) question and gather evidence from any person with relevant knowledge, expertise or responsibility (with their consent).
- (g) instigate research, community and other consultation in the analysis of policy issues, possible options and the development of policy;
- (h) regularly involve Members of the Executive and occasionally Members of other bodies of the Council and officers to find out their views or advice on issues, proposals and policy affecting the area;
- (i) consider reports or questions from any individual Councillor on matters relevant to the terms of reference of the Group to enable the views of constituents and other organisations to be taken into account; and
- (j) liaise with other external organisations operating in the area, whether national, regional or local, to ensure that the interests of local people are enhanced by collaborative working.
- (k) to be responsible for all matters relating to Member learning and development.

3 Corporate Performance and Resources Scrutiny Panel – Standards Matters

Roles and Functions:-

- (a) to provide and maintain high standards of conduct by councillors and co-opted members;
- (b) to assist councillors and co-opted members of the authority to observe the Council's Code of Conduct;
- (c) to advise the Council on the adoption or revision of the Members' Code of Conduct and on matters relating to the ethical conduct of the Council and its Members;

- (d) to advise and train councillors and co-opted members on matters relating to the Code of Conduct;

5. DELEGATIONS TO COMMITTEES

SCRUTINY PANELS (cont'd)

3 Corporate Performance and Resources Scrutiny Panel – Standards Matters (cont'd)

(e) to grant dispensations to District Councillors (and where relevant, co-opted members of the District Council) on requirements relating to Disclosable Pecuniary Interests in the following circumstances:

- i. where many Members of the decision-making body have a Disclosable Pecuniary Interest, which would result in the political balance being affected;
- ii. it is in the interests of the inhabitants that a dispensation be granted; or
- iii. it is appropriate to grant a dispensation.

In addition, (and when it is not expedient to wait until the next scheduled Panel meeting) dispensations can also be granted by:-

- a Scrutiny Code of Conduct Sub Panel, or
- the Monitoring Officer in consultation with the Chairman and Vice Chairman of the Corporate Performance & Resources Scrutiny Panel.

(f) to consult the Independent Person(s) in accordance with the 'Dealing with Complaints Policy';

(g) to consider complaints alleging a breach of the Code of Conduct by District Councillors (and any co-opted members where relevant) and those members of town and parish councils in the District of South Hams; and

(h) to receive investigation reports and to carry out Hearings (including sanctions) in respect of allegations of misconduct for District Councillors (and co-opted Members where relevant) and town and parish council members, and to recommend sanctions or other recommendations / actions.

4 Corporate Performance and Resources Scrutiny Panel Sub Committees – Standards Matters

Roles and Functions:-

(a) to consider complaints alleging a breach of the Members' Code of Conduct as referred by the Council's Monitoring Officer; and

(b) to receive investigation reports and carry out Hearings (including sanctions) in respect of allegations and misconduct.

5. DELEGATIONS TO COMMITTEES

SCRUTINY PANELS (cont'd)

5 Officers

Scrutiny Panels will have administrative support and be able to call on other relevant officer support and external expertise where necessary.

6 Annual Report

Each Scrutiny Panel must report annually to full Council on their workings and make recommendations for future work programmes and amended working methods if appropriate.

SALCOMBE HARBOUR BOARD

Consultation is required before embarking on a review of the Harbour's governance

Specific Board functions:

- (i) That Salcombe Harbour will conduct operations in accordance with the powers granted to the Council as a Harbour Authority by the Salcombe Harbour Order 1954 (The Pier and Harbour Order (Salcombe) Confirmation Act 1954) and any other enabling legislation and, insofar as it falls within the scope of these powers, the policy of the Council in relation to the Harbour as expressed through:-
 - The Harbour Policy Document;
 - Estuary and Environmental Management Plans;
 - Any byelaws approved and adopted in respect of the Harbour;
 - Safety Management Systems in Compliance with the Port Marine Safety Code;
 - Other Council decisions from time to time.
- (ii) That the Harbour is self-financing and that it maintains commercial accounts in conjunction with the accounts as required by the Authority to demonstrate the Harbour's commercial viability;
- (iii) That a three year strategic business plan for the Harbour is produced, approved by Council and reviewed annually;
- (iv) That decisions relating to the Harbour are based on advice from officers who have a clear understanding of the special requirements of the Harbour;
- (v) That they adopt and maintain transparent, speedy and informative communication with relevant Members of the Council's Executive for consultation and reporting purposes;

5. DELEGATIONS TO COMMITTEES

SALCOMBE HARBOUR BOARD

Specific Board functions: (cont'd)

- (vi) That they have due regard for the interests of the local community and user groups, attending community forums seeking views to gain a balanced picture of the effects of policy and decisions;
- (vii) That the existing systems for the delegation of functions be kept under review;
- (viii) That any matter which is beyond delegated authority is recommended to the Council by the Board;
- (ix) That charges and subsidies be recommended by the Board for approval by the Council on a yearly basis;
- (x) That they monitor and review all matters relating to the Harbour land and property in accordance with policies which may be laid down by the Council from time to time, for which financial and other provision has been expressly made by the Council. The Harbour's asset base is laid out in the associated plan;
- (xi) That they oversee the running of services to contract and/or to business plan on commercial lines by advising on business direction in the context of the Council's budget and policy framework;
- (xii) They monitor and analyse performance against budget, other indicators and performance plans;
- (xiii) That issues of concern are raised with officers of the Council.

5. DELEGATIONS TO COMMITTEES (cont'd)

OTHER COUNCIL BODIES

ASSET MANAGEMENT GROUP

- To provide advice to Members and the management teams on strategic management of the Council's assets and the performance of the Council's portfolio;
- To contribute to plans dealing with maintenance, acquisitions and disposals of land and property, and health and safety and risk assessment, so far as the Council's portfolio is concerned; and
- To recommend projects to be included in the Council's Capital Programme and to monitor of these projects.

COUNCIL TAX SETTING PANEL

The Council Tax Setting Panel has the following functions:-

- (a) To exercise delegated authority to set the level of Council Tax in accordance with the Council's agreed budget;
- (b) To undertake the task detailed in (a) above following notification from Devon County Council, the Devon and Cornwall Police Authority, Devon and Somerset Fire and Rescue Authority, and each Parish/ Town Council of their individual precepting requirements.

DESIGN REVIEW PANEL

To be supplied

DEVON BUILDING CONTROL PARTNERSHIP

The responsibilities of the Partnership are:

- To agree the appointment of the Head of Partnership.
- To agree budgets, monitor performance, approve the statement of accounts and agree any distribution of surpluses/deficits in the Trading Account.
- To monitor the development and business plans of the Partnership.
- To agree the Partnership's (Action) Improvement Plan.
- To monitor service delivery, value for money and performance of the Partnership.
- To monitor the service delivery and cost effectiveness of the Host Council.

5. DELEGATIONS TO COMMITTEES

OTHER COUNCIL BODIES (cont'd)

JOINT STAFF CONSULTATIVE FORUM

The Forum exists to undertake a CONSULTATIVE role where ideas, issues, drafts of new policies, organisational changes and legitimate employer/ employee matters can be discussed cordially. In addition to this the Forum has an important COMMUNICATION role, i.e. the two way exchange of information and ideas with Staff Representatives: being a barometer for the mood and current state of morale in the organisation. Staff concerns can be raised and responded to.

The Forum should act as a PARTNER, promoting good employee relations in areas of accreditation and assessment for National Awards and Performance Standards, particularly in Best Value and Investors in People.

The operation of, and the consideration of items by, Staff Representatives Forum does not override the Council's statutory obligations to consult and negotiate with the Trade Unions under formal legislation or any National or Provincial Council agreements. Separate arrangements exist to deal with this.

POLITICAL STRUCTURES WORKING GROUP

To make recommendations to full Council on the decision making processes and structure of the Council.

PROGRAMMING PANEL

The Programming Panel has the following terms of reference:

- To oversee the workloads of the four bodies to ensure efficiency of the overview and scrutiny process.
- To coordinate requests for reviews referred to by the Executive or the Council which do not fall within the remit of any one group.
- To resolve any disputes between groups.
- To consider any potential future agenda items pro-forma which have been submitted by Members, town and parish councils and/or residents.

5. DELEGATIONS TO COMMITTEES

OTHER COUNCIL BODIES (cont'd)

PUBLIC SPACES WORKING GROUP

The Public Spaces Working Group has the following terms of reference:

- Advising officers in relation to the allocation of funding for public open space proposals from S106 payments and external grants
- Monitoring the quality and timing of investment in public open space utilising the funding streams identified above
- Promoting the coordination of actions between grounds maintenance activity in Environment Services and the public open space 'client' role in Assets
- Providing support to the Portfolio Holders for Assets and Environment Services
- To investigate and promote opportunities to work with local communities
- Liaising with the 2015 Localism Programme Board regarding opportunities for the localisation of public open space services and asset management
- Providing Member input on reviews and future development of policy or strategy which will affect public open spaces
- The Working Group will have no decision-making powers and therefore will make recommendations to the Community Life and Housing Scrutiny Panel for subsequent consideration by the Executive

6. DELEGATIONS TO SENIOR OFFICERS

Matters reserved for Council, Executive or Committee

6.1 Subject to urgent items (see paragraph 2 below), the following matters shall be referred to the Executive, or relevant Committee, or Council, where appropriate.

Any matter which:

- (a) is reserved to Council
- (b) is reserved to the Executive or Portfolio holders
- (c) is strategic in nature (as determined by Senior Management Team); or
- (d) requires a new policy; or
- (e) requires an alteration to an existing policy (other than a minor amendment); or
- (f) would be contrary to the Policy Framework; or
- (g) involves expenditure, or a reduction in income, for which there is no sufficient budgetary provision; or
- (h) is an issue of principle as determined by Senior Management Team; or
- (i) in the opinion of the Head of Paid Service or Monitoring Officer, cannot in law or in accordance with the Constitution be decided by an Officer; or
- (j) upon which a Committee has requested a report; or
- (k) in the opinion of the officer concerned, should be determined by a Committee; or
- (l) is reserved to the Development Management Committee, the Licensing Committee or the Salcombe Harbour Board.

Urgent Items

6.2 Matters of urgency, as determined by the Head of Paid Service (or in his absence another Senior Officer) shall be delegated to the relevant officer in consultation with the Leader and Deputy Leader or the Chairman and Vice Chairman of the relevant Committee, subject to a report being made to the next meeting of the Executive or the appropriate Committee.

6. DELEGATIONS TO SENIOR OFFICERS (cont'd)

Delegations to Specific Senior Officers

- 6.3 Subject to those matters which are reserved for Committee (see paragraph 1 above) all Senior Officers shall be responsible and shall have delegated authority for the day-to-day operation and management of their department and of the Services and land for which they are responsible.
- 6.4 Any matter not reserved for Committee (i.e. any matter falling outside the criteria contained in paragraph 1 above) shall be regarded as falling within the day-to-day operation and management of the relevant department and shall be delegated to the appropriate Senior Officer and shall be exercised in accordance with the principles of delegation.
- 6.5 All Senior Officers are appointed across both South Hams District Council and West Devon Borough Council, and in respect of South Hams District Council they shall have authority to:
- issue written authorisation to individual officers to act as the Council's authorised officers in the performance of their statutory or other duties (provided that any written authority to enter upon the land or premises shall be in pursuance of a statutory power of entry or inspection)**
 - to nominate officers to deputise in their absence
 - call for and accept tenders within the Contract Procedure Rules
 - to act as Proper Officer for their service
- ** to be recorded in a separate record held by the relevant Head of Service*
- 6.6 Delegations to Senior Officers in respect of financial matters are set out in the Financial Procedure Rules (Part 4 of the Constitution).
- 6.7 Delegations to Senior Officers in relation to the letting of contracts are set out in the Contract Procedure Rules (Part 4 of the Constitution).
- 6.8 Delegations to Senior Officers in respect of land and premises are set out in the Financial Procedure Rules (Part 4 of the Constitution).
- 6.9 The Council's Solicitor shall be responsible for signing all the Council's Official Notices and other documents and for sealing Council documents. In his or her absence, any other solicitor employed by the Council may carry out these functions.
- 6.10 The Head of Paid Service shall be the Proper Officer for any function of the Council in the absence of any other appointment as specified within this Delegation Scheme.
- 6.11 Where the Council is required to institute or defend legal proceedings, authority must be first obtained from the Monitoring Officer.

6. DELEGATIONS TO SENIOR OFFICERS (cont'd)

Delegation to the Head of Paid Service

The Head of Paid Service shall have delegated authority for the following:

- Responsibilities of the Head of Paid Service
- Shared Services

Delegation to the Executive Director (Resources)

- The Executive Director (Resources) shall have delegated authority in respect of all of the powers of Head of Paid Service to act in his absence.
- Shared Services
- Deputy Electoral Registration Officer

Delegation to the Monitoring Officer

The Monitoring Officer shall have delegated authority for the following:

- * Monitoring Officer issues (including those matters set out in Article 10)
- * Conduct of legal proceedings on behalf of the Council as its solicitor

Delegation to the Heads of Service

Please also cross-refer to the remit of the Executive and appropriate committee.

Delegation to the Head of Assets (Corporate Property Officer)

The Head of Assets shall have delegated authority for the following Services:

- * Arts and Leisure Services
- * Building Control and Services
- * Engineering (including drainage)
- * Facilities Management
- * Leisure & recreation
- * Land and Property
- * Dartmouth Lower Ferry
- * Natural Environment, open spaces, AONB
- * Countryside Services
- * Salcombe Harbour

6. DELEGATIONS TO SENIOR OFFICERS (cont'd)

Delegation to Head of Corporate Services

The Head of Corporate Services shall have delegated authority for the following:

- Committee / Member Services
- Communications and Media
- Data Protection
- Elections, including the responsibilities of Returning Officer and Electoral Registration Officer
- Freedom of Information
- Human Resources
- Legal
- Ombudsman
- Payroll
- Print Services

Delegation to Head of Environment Services

The Head of Environment Services shall have delegated authority for the following:

- Car Parking and Civil Enforcement
- Dog fouling and stray dogs
- Grounds and Graveyard Maintenance and Green Space
- Public Conveniences
- Recycling and Waste Collection
- Refuse & Vehicle Disposal
- Street Scene and enforcement (including litter and waste)

6. DELEGATIONS TO SENIOR OFFICERS (cont'd)

Delegation to Head of Environmental Health & Housing

The Head of Environmental Health & Housing shall have delegated authority for the following:

- Housing:
 - Strategy
 - Private Sector
 - Enabling
 - Grants / Loans
 - Home energy conservation
- Environmental Protection
- Public Health
- Emergency Planning
- Health & Safety
- Community Safety and antisocial behaviour
- Licensing

To act as the Proper Officer in respect of the signing of all appointments and authorisations of authorised officers or Inspectors appointed under legislation relevant to environmental health, food safety, health and safety, housing and licensing and also the signing of authorisations of other persons to accompany authorised officers or Inspectors (including Consultants) and to be given discretion to specify which powers under the relevant legislation are to be exercised by particular authorised officers or Inspectors.

Delegation to Head of Finance & Audit

The Head of Finance & Audit (Chief Finance Officer and S151 Officer) shall have delegated authority for the following:

- Finance
- Audit
- Matters set out in the Financial Procedure Rules

The Head of Finance is authorised to act as the Proper Officer relating to financial matters in the Local Government Act and Finance Acts.

6. DELEGATIONS TO SENIOR OFFICERS (cont'd)

Delegation to Head of ICT & Customer Services

The Head of ICT & Customer Services shall have delegated authority for the following:

- Customer Services
- Information and Communications Technology and Design
- Performance and Improvement
 - Performance
 - Projects
 - Corporate Priorities
 - Policy
- Revenues and Benefits:
 - Council Tax and Non-domestic Rates
 - Housing and Council Tax Benefit
- Housing (homelessness, advice)
- Post Room

Delegation to the Head of Planning, Economy and Community

The Head of Planning, Economy and Community shall have delegated authority for the following Services:

- Children & Youth
- Community Grants & Transport
- Community Delivery (Community Planning & Development, Connect Partnership (formerly LSP))
 - * Conservation & Historic Buildings
 - * Corporate Planning
 - * Development Management and Enforcement & Prosecution (as set out in the remit of the Development Management Committee)
 - * Protection of Trees & Landscaping
 - * Economic Prosperity (regeneration, development and tourism)
 - * Land Charges
 - * Strategic Planning (Conservation & Historic Buildings, Local Development Framework, Planning & Development Policies)
- Street Naming & Numbering

6. DELEGATIONS TO SENIOR OFFICERS (cont'd)

Delegation to the Devon Building Control Partnership Manager

The Devon Building Control Partnership Manager has delegated authority to exercise on behalf of the Council such statutory duties or powers conferred on the Council by the following enactments and any enactments amending or replacing them and also any regulations, orders, bylaws and other subsidiary legislation made under the following enactments.

For the avoidance of doubt the functions conferred by this scheme of delegation shall include:

- Appointment and/or authorisation of officers to exercise statutory functions
- Undertaking of inspections, investigations, interviews, service of notices, notifications, consultation responses, and legal proceedings under the legislation applicable thereto set out below, and to exercise all other relevant powers, including powers of entry provided under such legislation.
- Determination of applications, service of notice, exercise of powers in default and recovery of expenses.
- The institution of legal proceedings including the issuing of formal cautions.
- Exercise of powers of entry.
- The production and operation of a Scale of Building Regulation Charges that will comply with the Building (Local Authority Charges) Regulations 1998.
- Setting of fees and charges which it has discretion to levy.

List of Enactments:

- The Building Act 1984 and regulations made under that Act, including the Building Regulations 1991 (as amended), the Building Regulations 2000 together with the Fire Precautions Act 1971
- Local Government (Miscellaneous Provisions) Act 1982
- Town Improvement Clauses Act 1847 and the Public Health Act 1925
- Town and Country Planning Act 1990
- The Fire Safety and Places of Sport Act 1987
- Licensing Act 2003
- Party Wall etc Act 1996
- The Building (Local Authority Charges) Regulations 1998
- The Building (Approved Inspectors etc) Regulations 1985 and The Building (Approved Inspectors etc) Regulations 2000

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Part 4

Council Procedure Rules

Rules of Procedure

Council Procedure Rules

1. ANNUAL MEETING OF THE COUNCIL

1.1 Timing and business

In a year when there is an ordinary election of councillors, the annual meeting will take place within 21 days of the retirement of the outgoing councillors. In any other year, the annual meeting will take place in May.

The annual meeting will:

- (i) elect a person to preside if the Chairman of the Council is not present;
- (ii) elect the Chairman of the Council;
- (iii) elect the Vice Chairman of the Council;
- (iv) approve the minutes of the last meeting;
- (v) receive any announcements from the Chairman of the Council and/or Head of Paid Service;
- (vi) elect the Leader of the Council;
- (vii) agree and appoint members of the Executive;
- (viii) appoint Scrutiny Panels and such other bodies as the Council considers appropriate to deal with matters which are neither reserved to the Council nor are executive functions (as set out in Part 3, Table 1 of this Constitution);
- (ix) agree the scheme of delegation or such part of it as the Constitution determines it is for the Council to agree as set out in Part 3 of this Constitution;
- (x) approve a programme of ordinary meetings of the Council for the year; and
- (xi) consider any business set out in the notice convening the meeting.

1. ANNUAL MEETING OF THE COUNCIL (cont'd)

1.2 Selection of Councillors on Bodies of the Council and Outside Bodies

At the annual meeting, the council meeting will:

- (i) decide which bodies to establish for the municipal year;
- (ii) decide the terms of reference for those bodies;
- (iii) decide the size of those bodies;
- (iv) decide the allocation of seats to political groups in accordance with the political balance rules;
- (v) receive nominations of councillors to serve on each Council body and outside body; and
- (vi) appoint to those bodies and outside bodies except where appointment to those bodies has been delegated by the Council or is exercisable only by the Executive.

2. ORDINARY MEETINGS

In addition to the annual meeting, three ordinary meetings of the Council will take place in accordance with a programme decided at the Council's annual meeting. Ordinary meetings will:

- (i) elect a person to preside if the Chairman and Vice Chairman of the Council are not present;
- (ii) approve the minutes of the last meeting;
- (iii) receive any declarations of interest from councillors;
- (iv) deal with any business from the last Council meeting;
- (v) receive reports from the Executive and all other relevant bodies and receive questions and answers on any of those reports;
- (vi) receive reports about and receive questions and answers on the business of joint arrangements and external organisations;
- (vii) consider motions; and
- (viii) consider any other business specified in the summons to the meeting, including consideration of proposals from the Executive in relation to the Council's budget and policy framework and reports of Scrutiny Panels and any other relevant bodies of the Council for debate.

3. EXTRAORDINARY MEETINGS

3.1 Calling extraordinary meetings

Those listed below may request the Head of Paid Service to call Council meetings in addition to ordinary meetings:

- i) the Council by resolution;
- ii) the Chairman of the Council;
- iii) any of the statutory officers; and
- iv) any five councillors of the Council if they have signed a requisition presented to the Chairman of the Council and he/she has refused to call a meeting or has failed to call a meeting within seven days of the presentation of the requisition.

4. TIME AND PLACE OF MEETINGS

The time and place of meetings will be notified in the summons.

5. NOTICE OF AND SUMMONS TO MEETINGS

The Head of Paid Service will give notice to the public of the time and place of any meeting in accordance with the Access to Information Rules. At least five clear working days before a meeting, the Head of Paid Service (or for bodies other than Council where no other officer is required to do so, the Monitoring Officer (or Democratic Services Manager in his/her absence)) will send a summons signed by post or electronic means to every councillor of the Council or relevant body or leave it at their usual place of residence. The summons will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such reports as are available.

6. CHAIRMAN OF MEETING

The person presiding at the meeting may exercise any power or duty of the Chairman.

7. QUORUM

- 7.1 The quorum of a Council meeting will be one quarter of the whole number of councillors.
- 7.2 The quorum of any other relevant body of the Council will be as set out in the appropriate section of this constitution.
- 7.3 During any meeting if the chairman counts the number of councillors present and declares there is not a quorum present, then the meeting will adjourn immediately. Remaining business will be considered at a time and date fixed by the chairman. If he/she does not fix a date, the remaining business will be considered at the next ordinary meeting.

7. QUORUM (cont'd)

7.4 For the avoidance of doubt where a councillor would have been present for the duration of a meeting but for the fact that he or she was prevented or restricted from participating in any business of that meeting by virtue of the code of conduct of the Council, that councillor shall not be regarded as being present at that meeting for the purposes of calculating whether the meeting is quorate (except in particular circumstances eg in the event of being granted a dispensation).

8. QUESTIONS BY COUNCILLORS

8.1 On reports of the Executive

A councillor of the Council may ask the Leader of the Council any question without notice upon an item of the report of the Executive when that item is being received or under consideration by the Council. Unless the chairman decides otherwise no statements will be made other than those which are strictly essential to define the question. A councillor who has put such a question may also put one supplementary question but only if the supplementary question arises directly out of the reply given. The chairman may reject any question from any councillor if in his or her opinion the question is substantially the same as a question which has already been put to that meeting or a meeting of Council in the past three months.

8.2 Questions on notice at full Council

Subject to Rule 8.3, a councillor of the Council may ask:

- the Chairman;
- a member of the Executive; or
- the chairman of any body

a question on any matter in relation to which the Council has powers or duties or which affects the area.

8.3 Notice of questions

A councillor may only ask a question under Rule 8.2 if either:

- (a) they have given at least 7 working days in writing of the question to the Democratic Services Manager (i.e., by the Tuesday in the week preceding the week of the meeting of Council. For the purposes of this Procedure Rule, receipt of any such questions via electronic means is considered acceptable; or
- (b) the question relates to urgent matters, they have the consent of the person to whom the question is to be put and the content of the question is given to the Monitoring Officer (or Democratic Services Manager in his/her absence) by 10.00 am on the day of the meeting (if the meeting is scheduled for the afternoon) or by 2.00 pm on the preceding day (if the meeting is scheduled for the morning).

8. QUESTIONS BY COUNCILLORS (cont'd)

8.4 Response

An answer may take the form of:

- (a) a direct oral answer;
- (b) where the desired information is in a publication of the Council or other published work, a reference to that publication; or
- (c) where the reply cannot conveniently be given orally, a written answer circulated later to the questioner.
- (d) a brief oral answer supplemented by a written answer circulated later to the questioner.

8.5 Supplementary question

A councillor asking a question under Rule 8.2 may ask one supplementary question without notice of the councillor to whom the first question was asked. The supplemental question must arise directly out of the reply.

9. MOTIONS, AMENDMENTS OR ALTERATIONS OR WITHDRAWALS OF MOTIONS – GENERAL PROVISIONS

The rules which follow in this part of the constitution in relation to the moving, amendment or alteration or withdrawal of motions shall in no way operate at any time to avoid or circumvent compliance with paragraph 2.1(e) of the Budget and Policy Framework Rules and the rules which follow therefore shall be construed accordingly.

10. MOTIONS ON NOTICE

10.1 Notice

Except for motions which can be moved without notice under Rule 11, written notice of every motion, signed by at least 2 councillors, must be delivered to the Democratic Services Manager not later than seven working days before the date of the meeting (i.e. by the Tuesday in the week preceding the week of the meeting of Council). For the purposes of this Procedure Rule, receipt of any such motions via electronic means is considered acceptable.

10.2 Motion set out in agenda

Motions for which notice has been given will be listed on the agenda in the order in which notice was received, unless the councillor giving notice states, in writing, that they propose to move it to a later meeting or withdraw it.

10. MOTIONS ON NOTICE (cont'd)

10.3 Scope

Motions must relate to services the Council provides, commissions, or formally contributes to financially or otherwise through partnership working.

If a potential motion does not meet this requirement, the Monitoring Officer has delegated authority, in consultation with the Chairman of Council, to determine whether or not a motion is presented to a meeting of the Council.

11. MOTIONS WITHOUT NOTICE

The following motions may be moved without notice:

- (a) to appoint a chairman of the meeting at which the motion is moved;
- (b) in relation to the accuracy of the minutes;
- (c) to change the order of business in the agenda;
- (d) to refer something to an appropriate body or individual;
- (e) to appoint a member or officer working group arising from an item on the summons for the meeting;
- (f) to receive reports or adopt recommendations of bodies of the Council or officers and any resolutions following from them;
- (g) to withdraw a motion;
- (h) to amend a motion;
- (i) to proceed to the next business;
- (j) that the question be now put;
- (k) to adjourn a debate;
- (l) to adjourn a meeting;
- (m) to suspend a particular Council Procedure Rule except those specified in Rule 22;
- (n) to exclude the public and press in accordance with the Access to Information Rules;
- (o) to not hear further a councillor named under Rule 19.3 or to exclude them from the meeting under Rule 19.4; and
- (p) to give the consent of the Council where its consent is required by this

12. RULES OF DEBATE

12.1 No speeches until motion seconded

No speeches may be made after the mover has moved a proposal and explained the purpose of it until the motion has been seconded.

12.2 Right to require motion in writing

Unless notice of the motion has already been given, the chairman may require it to be written down and handed to him/her before it is discussed.

12.3 Seconders' speech

When seconding a motion or amendment, a councillor may reserve their speech until later in the debate.

12.4 Content and length of speeches

Speeches must be directed to the question under discussion or to a personal explanation or point of order. Unless in the opinion of the chairman it would not be desirable or appropriate to time limit speeches on any topic to be discussed having regard to its nature complexity or importance, no speech may exceed five minutes.

12.5 When a councillor may speak again

A councillor who has spoken on a motion may not speak again whilst it is the subject of debate, except:

- (a) to speak once on an amendment moved by another councillor;
- (b) to move a further amendment if the motion has been amended since he/she last spoke;
- (c) if his/her first speech was on an amendment moved by another councillor, to speak on the main issue (whether or not the amendment on which he/she spoke was carried);
- (d) in exercise of a right of reply;
- (e) on a point of order.

12. RULES OF DEBATE (cont'd)

12.6 Amendments to motions

(a) An amendment to a motion must be relevant to the motion and will either be:

- (i) to refer the matter to an appropriate body or individual for consideration or reconsideration;
- (ii) to leave out words;
- (iii) to leave out words and insert or add others; or
- (iv) to insert or add words.

as long as the effect of (ii) to (iv) is not to negate the motion.

(b) Only one amendment may be moved and discussed at any one time. No further amendment may be moved until the amendment under discussion has been disposed of.

(c) If an amendment is not carried, other amendments to the original motion may be moved.

(d) If an amendment is carried, the motion as amended takes the place of the original motion. This becomes the substantive motion to which any further amendments are moved.

(e) After an amendment has been carried, the chairman will read out the amended motion before accepting any further amendments, or if there is none, put it to the vote.

12.7 Alteration of motion

(a) A councillor may alter a motion of which he/she has given notice with the consent of the meeting. The meeting's consent will be signified without discussion.

(b) A councillor may alter a motion which he/she has moved without notice with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion.

(c) Only alterations which could be made as an amendment may be made.

12.8 Withdrawal of motion

A councillor may withdraw a motion which he/she has moved with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion. No councillor may speak on the motion after the mover has asked permission to withdraw it unless permission is refused.

12. RULES OF DEBATE (cont'd)

12.9 Right of reply

- (a) The mover of a motion has a right to reply at the end of the debate on the motion, immediately before it is put to the vote.
- (b) If an amendment is moved, the mover of the original motion has the right of reply at the close of the debate on the amendment, but may not otherwise speak on it.
- (c) The mover of the amendment has no right of reply to the debate on his or her amendment.

12.10 Motions which may be moved during debate

When a motion is under debate, no other motion may be moved except the following procedural motions:

- (a) to withdraw a motion;
- (b) to amend a motion;
- (c) to proceed to the next business;
- (d) that the question be now put;
- (e) to adjourn a debate;
- (f) to adjourn a meeting;
- (g) to exclude the public and press in accordance with the Access to Information Rules;
- (h) to not hear further a councillor named under Rule 19.3 or to exclude them from the meeting under Rule 19.4.

12.11 Closure motions

- (a) A councillor may move, without comment, the following motions at the end of a speech of another councillor:
 - (i) to proceed to the next business;
 - (ii) that the question be now put;
 - (iii) to adjourn a debate; or
 - (iv) to adjourn a meeting.
- (b) If a motion to proceed to next business is seconded and the chairman thinks the item has been sufficiently discussed, he or she will give the mover of the original motion a right of reply and then put the procedural motion to the vote.

12. RULES OF DEBATE (cont'd)

12.11 Closure motions (cont'd)

- (c) If a motion that the question be now put is seconded and the chairman thinks the item has been sufficiently discussed, he/she will put the procedural motion to the vote. If it is passed he/she will give the mover of the original motion a right of reply before putting his/her motion to the vote.
- (d) If a motion to adjourn the debate or to adjourn the meeting is seconded and the chairman thinks the item has not been sufficiently discussed and cannot reasonably be so discussed on that occasion, he/she will put the procedural motion to the vote without giving the mover of the original motion the right of reply.

12.12 Point of order

A councillor may raise a point of order at any time. The chairman will hear them immediately. A point of order may only relate to an alleged breach of these Council Rules of Procedure or the law. The councillor must indicate the rule or law and the way in which he/she considers it has been broken. The ruling of the chairman on the matter will be final.

12.13 Personal explanation

A councillor may make a personal explanation at any time. A personal explanation may only relate to some material part of an earlier speech by the councillor which may appear to have been misunderstood in the present debate. The ruling of the chairman on the admissibility of a personal explanation will be final.

13. STATE OF THE SOUTH HAMS DEBATE

13.1 Calling of debate

The Leader of the Council may call a state of the South Hams debate annually on a date and in a form to be decided by him or her in consultation with the chairman.

13.2 Form of debate

The will decide the form of the debate with the aim of enabling public involvement and publicity. This may include holding workshops and other events prior to or during the state of the South Hams debate.

13.3 Chairing of debate

The debate will be chaired by the chairman or his/her nominee.

13. STATE OF THE SOUTH HAMS DEBATE (cont'd)

13.4 Results of debate

The results of the debate will be:

- (i) disseminated as widely as possible within the community and to agencies and organisations in the area; and
- (ii) considered by the Leader of the Council in proposing the budget and by the Leader of the Council and appropriate others in proposing the policy framework to the Council for the coming year.

14. DECISIONS AND MOTIONS

14.1 Motion to rescind a previous decision

A motion or amendment to rescind a decision made at a meeting within the past six months cannot be moved unless the notice of motion is signed by at least one third of the members of the relevant body.

14.2 Motion similar to one previously rejected

A motion or amendment in similar terms to one that has been rejected at a meeting in the past six months cannot be moved unless the notice of motion or amendment is signed by at least one third of members of the relevant body.

Once the motion or amendment is dealt with, no one can propose a similar motion or amendment for six months

14.3 Reference up of decisions

Notwithstanding that a matter is delegated, the Executive or another Committee can refer, by way of recommendation, a matter to Council for a decision.

Where the decision has been requested for referral to Council under this rule, the matter is classed as 'unresolved' and stands referred to the next ordinary meeting of Council for a decision or to an extraordinary meeting called for that purpose.

15. VOTING

15.1 Majority

Unless this Constitution provides otherwise, any matter will be decided by a simple majority of those councillors voting and present in the room at the time the question was put.

15.2 Chairman's casting vote

If there are equal numbers of votes for and against, the chairman will have a second or casting vote. There will be no restriction on how the chairman chooses to exercise a casting vote.

15.3 Show of hands

Unless a ballot or recorded vote is demanded under Rules 15.4 and 15.5, the chairman will take the vote by show of hands, or if there is no dissent, by the affirmation of the meeting.

15.4 Ballots

The vote will take place by ballot if one third of the members present at the meeting demand it. The chairman will announce the numerical result of the ballot immediately the result is known.

15.5 Recorded vote

If five members present at the meeting demand it, the names for and against the motion or amendment or abstaining from voting will be taken down in writing and entered into the minutes. A demand for a recorded vote will override a demand for a ballot.

On any decisions of the Council relating to setting the annual budget or council tax, a recorded vote will be conducted.

15.6 Right to require individual vote to be recorded

Where any councillor requests it immediately after the vote is taken, their vote will be so recorded in the minutes to show whether they voted for or against the motion or abstained from voting.

15.7 Voting on appointments

If there are more than two people nominated for any one position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person. Where a vote is required to fill multiple vacancies on a body and the number of nominations exceed the number of vacancies, voting shall take place by the use of ballot papers. Vacancies will be allocated to those councillors attracting the highest number of votes until all vacancies have been filled. The chairman shall have absolute discretion on the method to be employed to resolve situations where a tie in voting occurs.

16. MINUTES

16.1 Signing the minutes

The chairman will sign the minutes of the proceedings at the next suitable meeting. The chairman will move that the minutes of the previous meeting be signed as a correct record. The only part of the minutes that can be discussed is their accuracy.

16.2 No requirement to sign minutes of previous meeting at extraordinary meeting

Where in relation to any meeting, the next meeting for the purpose of signing the minutes is a meeting called under paragraph 3 of schedule 12 to the Local Government Act 1972 (an Extraordinary Meeting), then the next following meeting (being a meeting called otherwise than under that paragraph) will be treated as a suitable meeting for the purposes of paragraph 41(1) and (2) of schedule 12 relating to signing of minutes.

16.3 Form of minutes

Minutes will contain all motions and amendments upon which a formal vote has been taken in the exact form and order the chairman put them.

17. RECORD OF ATTENDANCE

All councillors present during the whole or part of a meeting must sign their names on the attendance sheets before the conclusion of every meeting to assist with the record of attendance.

18. EXCLUSION OF PUBLIC

Members of the public and press may only be excluded either in accordance with the Access to Information Rules in Part 4 of this Constitution or Rule 20 (Disturbance by Public).

19. COUNCILLORS' CONDUCT

19.1 Standing to speak

When a councillor speaks at full Council they must stand and address the meeting through the Chairman of the Council. If more than one councillor stands, the Chairman of the Council will ask one to speak and the others must sit. Other councillors must remain seated whilst a councillor is speaking unless they wish to make a point of order or a point of personal explanation.

19.2 Chairman standing

When the Chairman of the Council stands during a debate, any councillor speaking at the time must stop and sit down. The meeting must be silent.

19.3 Councillor not to be heard further

If a councillor persistently disregards the ruling of the chairman by behaving improperly or offensively or deliberately obstructs business, the chairman may move that the councillor be not heard further. If seconded, the motion will be voted on without discussion.

19.4 Councillor to leave the meeting

If the councillor continues to behave improperly after such a motion is carried, the chairman may move that either the councillor leaves the meeting room or that the meeting is adjourned for a specified period. If seconded, the motion will be voted on without discussion.

19.5 General disturbance

If there is a general disturbance making orderly business impossible, the chairman may adjourn the meeting for as long as he/she thinks necessary.

20. DISTURBANCE BY PUBLIC

20.1 Removal of member of the public

If a member of the public interrupts proceedings, the chairman will warn the person concerned. If they continue to interrupt, the chairman will order their removal from the meeting room.

20.2 Clearance of part of meeting room

If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared.

21. USE OF RECORDING EQUIPMENT AT MEETINGS OF THE COUNCIL

That members of the public shall be permitted to record the proceedings of any meeting in sound and pictures and broadcast them whether by electronic means or otherwise, subject to receiving the prior approval of the Chairman of that meeting, in consultation with the Head of Paid Service (or Monitoring Officer in his/her absence).

22. SUSPENSION AND AMENDMENT OF COUNCIL PROCEDURE RULES

22.1 Suspension

All of these Council Rules of Procedure except Rules 9, 15.6, 16.2 and 17 may be suspended by motion on notice or without notice if at least one half of the whole number of councillors of the Council are present. Suspension can only be for the duration of the meeting.

22.2 Amendment

Any motion to add to, vary or revoke the Rules of Procedure of all bodies of the Council or of Council itself will, when proposed and seconded, stand adjourned without discussion to the next ordinary meeting of the Council.

23. INTERPRETATION OF PROCEDURE RULES

The ruling of the chairman of any body of the Council or Council itself as to the construction or application of these procedure rules, or as to any proceedings of the Council or relevant body, shall not be challenged at any meeting.

24. APPROVED DUTIES

The definition of approved duty for the purposes of payment to councillors of travelling and subsistence allowances as discussed in the Council's Scheme of Members' Allowances as contained within Part 6 of this constitution when the Council or one of its bodies or the Head of Paid Service or other chief officer authorises a councillor's attendance at a meeting or event.

25. LEGAL PROCEEDINGS

The Monitoring Officer is authorised to institute, defend or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Council or in any case where the Monitoring Officer considers that such action is necessary to protect the Council's interests.

26. AUTHENTICATION OF DOCUMENTS

Where any document is necessary to any legal procedure or proceedings on behalf of the Council, it will be signed by the Head of Corporate Services or other person authorised by him/her, unless any enactment otherwise authorises or requires, or the Council has given requisite authority to some other person.

Any contract with a value exceeding £20,000 entered into on behalf of the local authority in the course of the discharge of an executive function shall be made in writing. Such contracts must either be signed by at least two officers of the authority or made under the common seal of the council attested by at least one officer.

27. COMMON SEAL OF THE COUNCIL

The Common Seal of the Council will be kept in a safe place in the custody of the Monitoring Officer. A decision of the Council, or of any part of it, will be sufficient authority for sealing any document necessary to give effect to the decision. The Common Seal will be affixed to those documents which in the opinion of the Monitoring Officer should be sealed. The affixing of the Common Seal will be attested by the Monitoring Officer or some other person authorised by him/her.

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CONSTITUTION PART 4
FINANCIAL PROCEDURE RULES (JOINT)
~~FEBRUARY 2013~~ MAY 2014

FINANCIAL PROCEDURE RULES – INTRODUCTION

A. Status of the Financial Procedure Rules

- A.1 Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf.
- A.2 The Financial Procedure Rules identify the financial responsibilities of the Council, all member bodies, the Head of Paid Service (Executive Director (Communities)), the Section 151 Officer (the Head of Finance & Audit) and the Monitoring Officer. A written record should be maintained where decision making has been delegated to other Members of staff, including seconded staff. Where decisions have been delegated to other responsible officers references to the Heads of Service in the Financial Procedure Rules should be read as referring to them.
- A.3 The Financial Procedure rules are part of a wider set of operational and managerial arrangements. If followed they protect the Council and hence the public, from poor decision making, theft, fraud and material error. They also offer significant protection to staff and Members from undue criticism and accusations of impropriety.
- All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- A.4 The Council's detailed financial procedures, setting out how the Financial Procedure Rules will be implemented, are contained in the appendices to these Financial Procedure Rules (Sections 1 to 28).
- A.5 Heads of Service are responsible for ensuring that all staff in their departments are aware of the existence and content of the Council's Financial Procedure Rules, Contract Procedure Rules and other internal regulatory documents and that they comply with them.
- A.6 Each Senior Officer shall consult the Head of Finance & Audit with respect to any matter which is liable to materially affect the finances of the Council before any provisional or other commitment is incurred or before reporting the matter to a Committee.
- A.7 The Head of Finance & Audit is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Members, officers and others acting on behalf of the Council are required to follow.

FINANCIAL PROCEDURE RULES – INTRODUCTION

B. Financial Management Responsibilities

- B.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.
- B.2 The Council is responsible for approving the Policy Framework and budget. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control which includes these Financial Procedure Rules.
- B.3 Supporting this, many of the Council's member bodies have devolved financial responsibilities to a varying degree, the details of which are set out within their 'Functions within the Constitution

Duties of the Statutory Officers

Head of Finance & Audit (Section 151 Officer)

- B.4 The Head of Finance & Audit¹ has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Section 151 of the Local Government Act 1972
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - Local Government Act 2003
 - The Accounts and Audit Regulations 1996, 2003, 2006, 2009
- B.5 The Head of Finance & Audit is responsible for:
- The proper administration of the Council's financial affairs
 - Setting and monitoring compliance with financial management standards
 - Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - Providing financial information
 - Preparing medium term financial planning, revenue budget and capital programme
 - Treasury management.

¹ See 'A Statement on the Role of the Chief Finance Officer in Local Government' (CIPFA)

FINANCIAL PROCEDURE RULES – INTRODUCTION

- B.6 Under Section 114 of the Local Government Finance Act 1988, the Head of Finance and Audit, having consulted the Head of Paid Service (Executive Director (Communities)) and the Monitoring Officer, will report to the Council and the Council's external auditor if the Council or one of its officers:
- Has made, or is about to make, a decision which involves incurring unlawful expenditure
 - Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council
 - Is about to make an unlawful entry in the Council's accounts.
- B.7 Section 114 of the 1988 Act also requires:
- The Head of Finance & Audit to nominate a properly qualified member of staff to deputise should he/she be unable to perform the duties under section 114 personally;
 - The Council to provide the Head of Finance & Audit with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

Monitoring Officer

- B.8 The Monitoring Officer is responsible for promoting and maintaining high standards of ethical conduct. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council, and for ensuring that procedures for recording and reporting decisions are operating effectively.
- B.9 The Monitoring Officer (together with the Head of Finance & Audit) is responsible for advising the Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- Initiating a new policy
 - Committing expenditure in future years to above the budget level
 - Incurring inter-departmental transfers above virement limits
 - Causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- B.10 The Monitoring Officer shall be provided by the Council with such offices, accommodation and other resources sufficient to allow her duties to be performed.

FINANCIAL PROCEDURE RULES – INTRODUCTION

Senior Officers

B.11 Senior Officers- are responsible for:

- Ensuring that relevant member bodies are advised of the financial implications of all proposals and that the financial implications have been agreed by the Head of Finance & Audit.
- Consulting with the Head of Finance & Audit to seek approval on any matter likely to materially affect the Council's finances, before any commitments are incurred.

B.12 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

C. Financial Planning

C.1 The Council is responsible for agreeing the Council's budget, which will be proposed by the Resources Committee for West Devon and Executive for South Hams. In terms of financial planning, the key elements are:

- Financial Strategy and the Capital Strategy
- Asset Management Plan
- The Budget
- The Capital Programme

Policy Framework

C.2 Council is responsible for approving the Policy Framework and Budget. The Policy Framework comprises all statutory plans and strategies as detailed in the Council's Constitution. Council is responsible for making any decisions which would be contrary to the Policy Framework or not keeping within the Budget.

C.3 The Resources Committee/Executive is responsible for proposing the Policy Framework to Council, approving procedures for agreeing variations to approved budgets, and for determining the circumstances in which a decision will be deemed to be contrary to the budget.

C.4 The Resources Committee/Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by Council.

C.5 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

FINANCIAL PROCEDURE RULES – INTRODUCTION

D. Risk Management and Control of Resources

Introduction

- D.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

- D.2 The Audit Committee is responsible for recommending approval of the Council's Risk Management policy statement and for reviewing the effectiveness of Risk Management.
- D.3 A Director is responsible for preparing the Council's Risk Management policy statement, for promoting it throughout the Council

Internal control

- D.4 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- D.5 The Head of Finance & Audit is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other requirements that govern their use.
- D.6 It is the responsibility of Heads of Service to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Audit Requirements

- D.7 The Accounts and Audit Regulations 1996 issued by the Secretary of State for the Environment require every local authority to maintain an adequate and effective internal audit. Regulation 4 of the Accounts and Audit Regulations 2003 requires audited bodies to conduct a review at least once a year on the effectiveness of its system of internal control and publish a statement of internal control (SIC) each year with the Council's financial statements.

FINANCIAL PROCEDURE RULES – INTRODUCTION

- D.8 The Audit Commission is currently responsible for appointing external auditors to each local authority, although this is likely to be subject to change. These Rules will be updated when the details of the new requirements are known. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- D.9 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.
- D.10 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

E Financial Systems and Procedures

- E.1 Sound systems and procedures are essential to an effective framework of accountability and control.

General

- E.2 The Head of Finance & Audit is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Heads of Service to the existing financial systems or the establishment of new systems must be approved by the Head of Finance & Audit. However, Heads of Service are responsible for the proper operation of financial processes in their own departments.
- E.3 Any changes to agreed procedures by Heads of Service to meet their own specific service needs should be agreed with the Head of Finance & Audit.
- E.4 Heads of Service should ensure that their staff receive relevant financial training that has been approved by the Head of Finance & Audit.
- E.5 Heads of Service must ensure that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation. Heads of Service must ensure that staff are aware of their responsibilities under freedom of information legislation.

FINANCIAL PROCEDURE RULES – INTRODUCTION

Income and expenditure

- E.6 It is the responsibility of Heads of Service to ensure that a proper scheme of delegation for financial management has been established within their area and is operating effectively. The scheme of delegation for financial management should identify staff authorised to act on their Head of Service's behalf, in respect of payments, income collection and placing orders, together with the limits of their authority and ensure that no staff are able to both order and authorise payments for goods and services. The Resources Committee/Executive is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.
- E.7 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

F. External Arrangements

- F.1 The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.
- F.2 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Accounting (Section 1)	<ul style="list-style-type: none"> • Financial Management Standards • Separation of Duties • Other Information - Costing • Reports to Member Bodies • Accounting Records • Trading Accounts • Annual Accounts and Treatment of Year End Balances 	Financial Management
Assets (Section 2)	<ul style="list-style-type: none"> • Asset Management • Land and Buildings • Vehicles, Plant and Equipment • Acquisition • Capital Programme 	Risk Management and Control of Resources
Assets - Disposal (Section 3)	<ul style="list-style-type: none"> • Land and Buildings • Vehicles • Plant and Equipment • Computer and Computer Related Equipment • General - Recycling 	Risk Management and Control of Resources
Audit (Section 4)	<ul style="list-style-type: none"> • Internal audit • External audit 	Risk Management and Control of Resources
Banking Arrangements (Section 5)	<ul style="list-style-type: none"> • Bank Accounts • Separation of Duties • Bank Reconciliations • General - Cheques 	Financial Systems and Procedures
Budgets and Budgetary Control (Section 6)	<ul style="list-style-type: none"> • Format of the Budget • Budget Preparation • Resource Allocation • Budget Management • Virement (Budget Changes) • Supplementary Estimate Request • Reserves and Funds for S.106 Agreement • Shared Services • Capital Programme 	Financial Planning

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Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Car Loans (Section 7)	<ul style="list-style-type: none"> • Application and Payment • Responsibilities of the Borrower • Repayment 	Financial Systems and Procedures
Expenditure - Ordering of Goods and Services (Section 8)	<ul style="list-style-type: none"> • Orders • Ordering • Quotations • Open/Regular Supply Order • ICT Equipment and Software • Orders, Delivery Notes and Invoices • Orders to Individuals (Self Employed) 	Financial Systems and Procedures
Expenditure - Payment of Accounts (Section 9)	<ul style="list-style-type: none"> • Invoices • Invoices - Self Employed Status • Payment Request Forms • Receiving/Certification • Authorisation • Separation of Duties • Payment • Returned Cheques • VAT • Credit/Purchase Cards • Financial Year End • Loans Leases and Rental Agreements 	Financial Systems and Procedures
External Funding (Section 10)	Responsibilities for: <ul style="list-style-type: none"> • Heads of Service • Head of Finance & Audit 	External Arrangements
Fraud, Corruption & Bribery - Prevention (Section 11)	Responsibilities for: <ul style="list-style-type: none"> • Head of Finance & Audit, Monitoring Officer, • Chief Internal Auditor • Heads of Service 	Risk Management and Control of Resources
Grants, Subsidies, Claim Forms & Statistical Returns (Section 12)	<ul style="list-style-type: none"> • Grant Conditions • Receipts and Payments • Audit Requirements of the Grant Paying Body 	Financial Systems and Procedures

Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Income (Section 13)	<ul style="list-style-type: none"> • Charges for Services • Cash Collection and Banking • Personal Cheques • Change Floats • Security • Raising Invoices (Sundry Debtors) • Recovery • Bad and Doubtful Debtors • Cancellations • Financial Year End 	Financial Systems and Procedures
Insurance (Section 14)	<ul style="list-style-type: none"> • Cover • Inspections • Claims 	Risk Management and Control of Resources
Intellectual Property (Section 15)	Responsibilities for: <ul style="list-style-type: none"> • Heads of Service • Head of Finance & Audit 	Risk Management and Control of Resources
Inventories (Section 16)	<ul style="list-style-type: none"> • Inventories • Council Property 	Risk Management and Control of Resources
Partnerships including Shared Services (Section 17)	Responsibilities for: <ul style="list-style-type: none"> • Members • Heads of Service • Head of Finance & Audit • Partners • Shared Services 	Risk Management and Control of Resources
Payments to Employees and Members (Payroll) (Section 18)	<ul style="list-style-type: none"> • Appointment • Appointment – Self Employed Status • Time and Other Amendment Records • Payment Absence • Leavers • Pay Awards • Verification • Staffing 	Financial Systems and Procedures
Payment of Housing and Council Tax Benefits (Section 19)	<ul style="list-style-type: none"> • Personal Data/Declaration of Interest • Payment – BACs • Payment – Cheques 	Financial Systems and Procedures

Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Petty Cash (Section 20)	<ul style="list-style-type: none"> • Expenditure • Reimbursement • General • Centralised Imprest – Petty Cash Advances 	Financial Systems and Procedures
Retention of Documents (Section 21)	Responsibilities for: <ul style="list-style-type: none"> • Head of Finance & Audit, • Monitoring Officer, • Heads of Service 	Risk Management and Control of Resources
Risk Management and Internal Control (Section 22)	<ul style="list-style-type: none"> • Risk Management • Internal Control (System of) • System Changes • Corporate Governance • Performance Management/Data Quality • Business Continuity 	Risk Management and Control of Resources
Security (Section 23)	<ul style="list-style-type: none"> • Security; • Safes • Postal Franking Machines • ICT – Software and Hardware • Data – Electronic/Paper 	Risk Management and Control of Resources
Stocks and Stores (Section 24)	<ul style="list-style-type: none"> • Stock Control and Issues • Stock Takes • Stock Certificates • Surpluses, Deficiencies and Write Offs 	Risk Management and Control of Resources
Taxation (Section 25)	<ul style="list-style-type: none"> • Pay as You Earn (PAYE) • Value Added Tax (VAT) 	Financial Systems and Procedures
Travel and Subsistence (Section 26)	<ul style="list-style-type: none"> • Claim Completion and Certification • Receipts • Timeliness of Claim • Motor Insurance, Driving Licences and Vehicle Roadworthiness • Council Members 	Financial Systems and Procedures

Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Treasury Management (Section 27)	<ul style="list-style-type: none"> • Cash Position; • Investments • Borrowing • General including Monitoring • Trust Funds 	Risk Management and Control of Resources
Work for Third Parties (Section 28)	<ul style="list-style-type: none"> • Approval • Legality • Financial Matters • Contracts • Service Provision 	External Arrangements

The following tables summarise the limits quoted in these Rules:

Item Value ex VAT	Petty Cash – Section 20
Up to £30	Petty cash items shall be limited to minor items of expenditure. This amount may only be exceeded with the prior agreement of the Head of Finance & Audit .
Above £30	Variations in reconciliation must be reported to Corporate Finance.

Item Value ex VAT	Quotations/Tendering for Goods and Services – Section 8	Requirement
Below £5,000	Most favourable prices and terms, having regard to the principles set out in the Council's Procurement Strategy.	Good Practice
£5,000 to £30,000	3 quotations appropriately evidenced.	Yes
Above £30,000	Tendering in line with Contract Procedure Rules.	Yes
ICT	All system developments and purchases of computer equipment or software must be approved by the Head of ICT & Customer Services or her/his nominated deputy.	Yes

Item Value ex VAT	Inventories – Section 16
Individual items above £100	Inventories of all property (furniture, fittings and equipment) belonging to or in the care of the Council, other than stores, shall be prepared and maintained by the Head of Service concerned or a designated officer.

Item Value ex VAT	Income: Banking – Sections 5 and 13
Daily/Weekly according to Insurance Limit	All monies received on behalf of the Council shall be banked without delay.

Item Value ex VAT	Income: Unders and Overs – Section 13
Over £30	“Unders and overs” and discrepancies must be reported immediately to Corporate Finance.

Item Value ex VAT	Write Off: Bad and Doubtful Debts – Section 12
Finance Up to £5,000	The Head of Finance & Audit is empowered to write off bad and doubtful debts, after satisfying her/himself that it would be uneconomic or inappropriate for the Council to pursue them, and where appropriate a Legal representative has considered the Council's position.

Item Value ex VAT	Write Off: Bad and Doubtful Debts – Section 12 (continued)

Financial Procedure Rules – Index and Summary of Limits

Item Value ex VAT	
Other Services Up to £5,000	In the case of debts due to other service groups, the Head of Finance & Audit will consider write off in accordance with the above upon the written authorisation of the Head of Service involved or her/his deputy.
All Debts Up to £5,000	The total amounts of debt written off by the Head of Finance & Audit under delegated powers will be reported to the Executive at South Hams and Resources Committee for West Devon .
All Debts Above £5,000	No debts in excess of £5,000 may be written off without the prior approval of the Head of Finance & Audit and the Executive at South Hams and Resources Committee for West Devon .

Item Value ex VAT	Write Off: Stock Deficiencies and Obsolete Stocks – Section 24
Up to £500	Stocks or stores of less than £500 in value at date of disposal may be disposed of or exchanged at the relevant Middle Manager's written discretion, but a second officer shall formally witness the disposal at a local level and the appropriate financial records retained.
£500 to £1,500	Stocks or stores with a value at date of disposal between £500 and £1500 may be disposed of or exchanged at the Head of Service's written discretion, but a second officer shall formally witness the disposal at a local level and the appropriate financial records retained.
£1,500 to £5,000	Where stocks or stores are valued at date of disposal above £1500 but less than £5,000 sealed bids are to be sought and it shall be the responsibility of the Head of Finance & Audit and the relevant Head of Service or their nominated deputy, to obtain the best possible price.
Above £5,000	The disposal or write off of any stock or stores item/s valued at more than £5,000 at date of disposal shall require the prior approval of the Executive/Relevant Committee .

Item Value ex VAT	Use of Reserves – Section 6
Up to £30,000	The Head of Finance & Audit may approve the use of Earmarked Reserves and Unearmarked General Fund Reserves up to a limit of £30,000, and may also approve increasing or creating Earmarked Reserves up to a limit of £30,000.
Greater than £30,000	The use of Reserves over £30,000 requires the prior approval of the Executive for South Hams or Resources Committee for West Devon upon receipt of a report from the Head of Service and Head of Finance & Audit <u>with the exception of Salcombe Harbour which requires a recommendation to Council by the Salcombe Harbour Board</u> .

<u>Urgent Use of Reserves</u>	<u>The rules for the Urgent Use of Reserves will follow the requirements of the Delegation Scheme, Part 3 of the Constitution, Section 6 Delegations to Senior Officers – urgent items.</u>

Item Value ex VAT	Use of S.106 Monies – Section 6
Up to £30,000	Authorisation of expenditure using funds received from S.106 Agreements must be sought from the Head of Finance & Audit for amounts up to £30,000 by the appropriate Head of Service , following consultation with the relevant Ward Member as a minimum.
Greater than £30,000	The use of funds received from S.106 Agreements for projects over £30,000 requires the prior approval of the Executive for South Hams or Resources Committee for West Devon upon receipt of a report from the Head of Service and Head of Finance & Audit , following consultation with the relevant Ward Member .

Financial Procedure Rules – Index and Summary of Limits

Budget Changes (Virement) – Section 6	South Hams - Authorisation Required
Where the sum involved is up to £5,000	The appropriate responsible budget holder may approve the virement in consultation with the appropriate accountant. No form is required;
Where the sum involved is greater than £5,000 but is less than £30,000	A virement form is required which is to be authorised by the relevant Head of Service and Head of Finance & Audit or nominated deputy;

Budget Changes (Virement) – Section 6	South Hams - Authorisation Required (continued)
Where the sum involved is between £30,000 and £100,000	The appropriate Head of Service and the Head of Finance & Audit shall sign a virement form in consultation with the appropriate accountant and submit it to the Executive for approval;
Where the amount exceeds £100,000 per individual virement	The appropriate Head of Service and the Head of Finance & Audit shall sign a virement form in consultation with the appropriate accountant and submit it to full Council for approval.

Budget Changes (Virement) – Section 6	West Devon - Authorisation Required
Between an RBO's own cost centres	Responsible budget holder
Between cost centres within the same Committee but with different RBOs	The relevant Heads of Service
Between cost centres in different Committees	Approval of both relevant Committees

Item Value ex VAT	Disposals: Land and Buildings – Section 3
Below £25,000	In conjunction with the Head of Finance & Audit , the Corporate Property Officer may effect minor freehold disposals of land not required for operational purposes up to £25,000 in value.
£25,000 to £50,000	The Corporate Property Officer in consultation with the Head of Finance & Audit and the Leader , may agree to the disposal, by sale or lease, of small areas of land whose market value does not exceed £50,000 in value.
Above Up to £50,000	The disposal of any land and buildings over £50,000 in value requires the prior approval of the Executive for South Hams and Resources Committee for West Devon and shall be made within the context of the Council's asset management plan. The Corporate Property Officer , in consultation with the Head of Finance & Audit and the Leader of Council , may agree to the disposal, by sale or lease, of small areas of land whose market value does not exceed £50,000 in value.

Item Value ex VAT	Disposals: Plant and Equipment – Section 3
Up to £500	Any items of plant or equipment of up to £500 in value that are surplus to the Council's requirements may be disposed of with the written authorisation of the relevant Middle Manager . A second officer shall formally witness the disposal at a local level and the appropriate records retained.
£500 to £1,500	Any items of plant or equipment of between £500 and £1500 in value that are surplus to the Council's requirements may be disposed of with the written authorisation of the Head of Service . A second officer shall formally witness the disposal at a local level and the appropriate records retained.
£1,500 to £5,000	Sealed bids are to be sought in respect of any items of plant and equipment that are surplus to the Council's requirements valued between £1500 and £5,000 on the prior written authority of the relevant Head of Service or his/her nominated deputy. It shall be the responsibility of the Head of Finance & Audit and the relevant Head of Service or their nominated deputy, to obtain the best possible price.
Above £5,000	The disposal of any item of plant and equipment valued at more than £5,000, shall be by advertised as a competitive tender unless the relevant Head of Service , after consulting the Head of Finance & Audit , decides that disposal shall be by public auction or other appropriate method e.g. part exchange.

Financial Procedure Rules – Index and Summary of Limits

Item Value ex VAT	Acquisitions: Land and Buildings – Section 2
Below £25,000 Up to £50,000	In conjunction with the Head of Finance & Audit, the Head of Assets may effect minor freehold acquisitions of land required for operational purposes up to £25,000 in money or money's worth from or to the owners of adjacent or nearby property or Statutory Undertakers where there are no future ongoing liabilities. The Corporate Property Officer, in consultation with the Head of Finance & Audit and the Leader of Council, may agree to the acquisition, by sale or lease, of small areas of land whose market value does not exceed £50,000.
£25,000 to £50,000	The Corporate Property Officer in consultation with the Head of Finance and Audit and Leader may agree to the acquisition, by sale or lease, of small areas of land whose market value does not exceed £50,000.
Item Value ex VAT	Acquisitions: Land and Buildings – Section 2
Above £50,000	The acquisition of any land and buildings of a value in excess of £50,000 requires the approval of Executive for South Hams and the Resources Committee for West Devon and shall be made within the context of the Council's asset management plan.

Why is this important?

Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year, which are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

Risks:

The Council may not account for all income received and expenditure made;
Financial systems could provide inaccurate or misleading information leading to poor decision making;
Insecure accounting or financial systems could give rise to opportunities for fraud or loss; and
Statutory requirements for reporting on the Council's financial affairs may not be met.

Responsibilities**Financial Management Standards**

- 1.1 All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.
- 1.2 The **Head of Finance & Audit** shall:
 - Ensure the proper administration of the financial affairs of the Council.
 - Set the financial management standards and to monitor compliance with them.
 - Ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council.
 - Advise on the key strategic controls necessary to secure sound financial management.
 - Ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.
 - Determine the accounting procedures and keep the accounting records of the Council including cost and stores accounts for all service groups of the Council, and to select suitable accounting policies and ensure that they are applied consistently
 - Administer the Council's arrangements for underspendings to be carried forward to the following financial year.
- 1.3 Where she/he is satisfied that it is in the interest of administrative efficiency for any such records to be maintained in other service groups, the **Head of Service** of that service group shall have a duty to maintain a standard of financial control which is to the satisfaction of the **Head of Finance & Audit**.

- 1.4 In all cases the **Head of Finance & Audit** shall be consulted and shall approve the form of new accounting records, financial stationery and systems or changes to them following consultation with the **Head of Service** of the service group concerned.
- 1.5 This will include adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements. Financial and accounting systems shall incorporate appropriate controls to ensure that, where relevant:
- All input is genuine, complete, accurate, timely and not previously processed;
 - All processing is carried out in an accurate, complete and timely manner; and
 - Output from the system is complete, accurate and timely.
- 1.6 The **Heads of Service** shall:
- Promote the financial management standards set by the **Head of Finance & Audit** to their departments and to monitor adherence to the standards and practices, liaising as necessary with the **Head of Finance & Audit**.
 - Promote sound financial practices in relation to the standards, performance and development of staff in their departments.

Separation of Duties

- 1.7 The following principles should be applied when allocating accounting duties, unless good reason disallows and the prior approval of the **Head of Finance & Audit** has been obtained normally through Internal Audit:
- The duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums should be separate from the duty of collecting or disbursing them; and
 - Employees with the duty of examining or checking the accounts of cash transactions shall not themselves be engaged in these transactions.

Compensating controls should be in place where the **Head of Finance & Audit** approves a reduced separation of duties for reasons such as low staffing levels.

Other Information

- 1.8 **Heads of Service** shall supply requisite information to the **Head of Finance & Audit** for financial costing and accounting purposes.
- 1.9 The **Head of Finance & Audit** shall by arrangement with a **Head of Service** provide such costing or other financial information required to facilitate the efficient conduct of their functions by officers responsible for incurring expenditure.
- 1.10 The **Head of Service** will be the responsible for advising the **Head of Finance & Audit** of any likely overspending of their authorised budget provision.

Reports to Member Bodies

- 1.11 Copies of all reports having financial implications shall be submitted to the **Head of Finance & Audit** in sufficient time prior to the meeting of the member body at which such reports are to be considered to enable the **Head of Finance & Audit** to make her/his observations on the financial implications to the **Head of Service** concerned. Where the **Head of Finance & Audit** is not a signatory to the report, her/his observations and submissions must be reflected in the report by the author.

Accounting Records

- 1.12 The **Head of Finance & Audit** is to ensure that accounting and financial records are held securely and procedures are in place to enable accounting records to be reconstituted in the event of a system failure. A documented and tested disaster recovery plan to allow information processing to resume quickly in the event of an interruption shall be in place.
- 1.13 Working papers leading to the preparation of Final Accounts are to be kept by the officer responsible for the year of audit and for preceding years in accordance with the Document Retention Policy. Adequate records to provide a management trail leading from the source of income/expenditure through to accounting statements is to be maintained.
- 1.14 All financial systems shall be documented and users trained in their operation prior to the system being used in a live environment.

Trading Accounts

- 1.15 The **Head of Finance & Audit** shall advise on the establishment and operation of Trading Accounts. With **Heads of Service**, he/she will ensure that the same accounting principles are applied in relation to trading accounts as for other services.
- 1.16 **Heads of Service** shall observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure and overheads are charged. An annual report shall be prepared in support of the final accounts.

Annual Accounts and Treatment of Year End balances

- 1.17 The **Head of Finance & Audit** shall:
- Prepare annual accounts, which present fairly the financial position of the Council, in accordance with statutory and professional requirements, CIPFA best practice and in liaison with the External Auditors.
 - Make proper arrangements for the audit of the accounts;
 - A timetable for their preparation shall be drawn up and staff and the external auditors advised accordingly.

- Prepare and sign the statutory annual statement of accounts, and produce an annual report. There is a statutory requirement for the **S.151 Officer** to sign the accounts and the Council to approve the accounts by the required date and this must be adhered to
- Select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year;

1.18 For specific trading accounts, the year end balance will be taken to an earmarked reserve in line with current legislation.

1.19 **Heads of Service** must:

- Comply with accounting guidance provided by the **Head of Finance & Audit** to supply the information required. This includes notification of any outstanding income and/or expenditure relating to the previous financial year as soon as possible after the 31st March in accordance with the year end timetable
- Maintain adequate records to provide a trail leading from the source of income/expenditure to the accounts
- Consult and obtain the approval of the **Head of Finance & Audit** before making any changes to accounting records and procedures.

1.20 The **Head of Finance & Audit** is to administer the Council's arrangements for under and overspendings at year end to be carried forward to the following financial year. This will include advising the **Resources Committee for West Devon** and the **Executive for South Hams** comparisons of actual income and expenditure with that budgeted and advice on the appropriate treatment of the year end balances, having considered the reasons behind the nature of their origins.

1.21 For **West Devon** Responsible Budget Officers should seek to match overspends with underspending within the same costs centres within the same **Committees**.

For West Devon Any overspending on a **Committee's** budget may be carried forward to the following year. If this course of action is taken the overspend will constitute the first call on that **Committee's** budget in the following year.

Net underspendings on a **Committee's** budgets may be carried forward subject to the approval of the **Resources Committee** following advice from the **Head of Finance & Audit** who shall consider the implications of the Council's overall financial position.

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register and inventory is a prerequisite for sound asset management.

Risks:

Assets may be acquired without prior approval, for which there is no use and/or on financially unacceptable terms;
Assets could be lost, stolen or used for non-Council business; and
Assets are not available when required in the provision of a service.

Responsibilities**Asset Management**

2.1. The Head of Assets shall be the Corporate Property Officer.

2.2. The Corporate Property Officer shall be the Chair of , and be responsible for the operation of the Asset Management Group whose role is set out in the Council's Asset Management Plan and includes:

- Providing advice to Members and SMT on strategic management of the Council's assets and the performance of the Council's portfolio;
- Contributing to plans dealing with maintenance, acquisitions and disposals of land and property, health and safety and risk assessment, so far as the Council's portfolio is concerned; and
- Recommending projects to be included in the Council's Capital Programme and monitoring of these projects.

2.3. The Corporate Property Officer (**Head of Assets**) shall be empowered to:

- Give consent to the assignment, sub-letting or surrender of existing leases (authority also to be exercised by a nominated deputy).
- Subject to authorisation by the Monitoring Officer, to authorise and take necessary legal proceedings towards the termination and renewal of leases, agreements and licences.
- Subject to authority from the Monitoring Officer to take legal and court action to enforce payment of rent and charges due
- To approve the revision of rents and licence fees
- To approve amendments to the terms of an existing lease, agreement or licence.
- To grant or obtain easements and wayleaves
- To grant licences, periodic tenancies and leases (not exceeding 15 years) at a fee / rental calculated.
- To approve the conveyancing of land to public utility services in connection with Council development.

- Day to day management of Council land and buildings where not delegated to other **Heads of Service**.
- Imposition or release of covenants in respect of land where the Council has an interest.
- Ensure that lessees and other prospective occupiers of Council owned land are not allowed to take possession or enter the land until a lease or agreement (in a form approved by the Council's Solicitor has been completed. The Corporate Property Officer (**Head of Assets**) shall maintain an asset register (terrier) of all properties owned by the Council (except dwellings provided under the Housing Acts) recording amongst other things service user, purpose for which held, location, nature of the Council's interest and rents payable, extent and plan references, purchase details, particulars and terms of tenancies granted together with other information as may be required by law.

2.4. The **Head of Finance & Audit** shall:

- Ensure that an asset register is maintained by Corporate Finance in accordance with good practice for all fixed assets with a value in excess of £10,000 and all land/buildings regardless of value. This register should be compared with other registers (e.g. the property terrier on a regular basis. An up to date asset register is a prerequisite for proper fixed asset accounting and sound asset management.
- To receive the information required for accounting, costing and financial records from each **Head of Service**.
- To ensure that arrangements are made for the assets to be valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

2.5. **Heads of Service** shall

- Ensure that the department informs the **Head of Finance & Audit** of the purchase/disposal of moveable assets in accordance with arrangements defined by the **Head of Finance & Audit**.
- Assist the Corporate Property Officer to provide a report on property performance and asset management to the Council.

Land and Buildings

2.6. The Council's Solicitor will have custody of all title deeds or Land Registry confirmation documents under security arrangements agreed with the **Head of Finance & Audit**.

Vehicles, Plant and Equipment

2.7. The **Head of Service** shall ensure that up to date records exist for all vehicles and items of plant and equipment under her/his control. The records are to include:-

- Registration or serial numbers;
- Council identification numbers;
- Description; and
- Usual storage location.

2.8. All Council vehicles and items of plant and equipment are to be kept under secure arrangements at all times. Each **Head of Service** shall nominate the employees who are responsible for the security arrangements.

2.9. No private use is permitted of any vehicle (except cars leased to officers for this purpose) or item of plant or equipment in the ownership of or leased to the Council.

Acquisition

2.10. All purchases or the leasing of land, buildings, vehicles or items of plant and equipment shall be on the best financial terms that can be obtained for the Council. The purchasing or leasing arrangements are to be in accordance with the purchasing arrangements laid down elsewhere in these Rules and the Contract Procedure Rules.

2.11. All purchases or the leasing of land, buildings, vehicles or items of plant or equipment shall be within the budget provision and the **Head of Finance & Audit** must be consulted on the method of financing. This includes any simple rental agreements because of the potential implication for the accounts.

Item Value ex VAT	Acquisitions – Land and Buildings
Below £25,000	In conjunction with the Head of Finance & Audit, the Head of Assets may effect minor freehold acquisitions of land required for operational purposes up to £25,000 in money or money's worth from or to the owners of adjacent or nearby property or Statutory Undertakers where there are no future ongoing liabilities.
£0 to £50,000	The Corporate Property Officer in consultation with the Head of Finance and Audit and Leader of Council may agree to the acquisition, by sale or lease, of small areas of land whose market value does not exceed £50,000.
Above £50,000	The acquisition of any land and buildings of a value in excess of £50,000 requires the approval of Executive for South Hams and the Resources Committee for West Devon and shall be made within the context of the Council's asset management plan.

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Insurance

2.12. All buildings, vehicles or plant or equipment shall be appropriately insured, see also FPR Insurance. The circumstances of losses of or damage to any vehicle or item of plant and equipment must be reported immediately to the relevant **Head of Service** and the **Head of Finance & Audit**. Losses are to be recorded in the appropriate inventory or asset register.

Capital Programme (Links to the Contract Procedure Rules)

2.13. The **Head of Finance & Audit** shall:

- Issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by, having regard to government regulations and accounting requirements.
- Determine the most appropriate method of funding of items approved in the capital programme in subsequent financial years.

2.14. The **Head of Finance & Audit** and **Head of Assets**, in association with other relevant **Heads of Service** shall:

- Ensure that specific approval has been obtained from the Council, or as delegated, for capital expenditure prior to any costs being incurred;
- Prepare capital estimates and jointly report them to Council for approval. Council approval is required where a **Head of Service** proposes to bid for or exercise additional borrowing not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
- Procurement for approved capital projects must be made in line with the Contract Procedure Rules.
- Where any tender for projects under the Capital Programme exceeds the available budget by 10% or £50,000 approval to proceed may be made by the **Head of Assets** and **S.151 Officer (Head of Finance & Audit)** with retrospective reporting through the monitoring process. Above these amounts the specific approval of the **Resources Committee** should be sought prior to acceptance.
- Have monitoring responsibilities to receive regular reports from Project Managers on the performance of their project; and report quarterly to the **Executive for South Hams** and the **Resources Committee for West Devon** on the overall progress of the Capital Programme. The monitoring report will outline the budget position as a whole and include, as a minimum, the financial position of each approved project.

Project Overspends

2.15. In monitoring expenditure on a project, the **officer/Project Manager** shall make all efforts to ensure that no overspend occurs. In exceptional circumstances he/she shall seek the formal approval of the **S.151 Officer, Head of Assets** or Member body at the earliest opportunity where the approved expenditure appearing in the capital programme is likely to be exceeded.

2.16. The following table sets out the authorisation required:

Authorisation of capital project overspends:

Project Total Value	Overspend excl. VAT	Authorised By
Up to £500,000 excl. VAT	£25,000 to £50,000	S.151 Officer, Head of Assets in consultation with the Lead Executive members for Assets and Finance & Audit (SH) or Chairman of Resources (WD) With retrospective reporting to the Executive (SH) or Resources Committee (WD) within the quarterly monitoring report.
Up to £500,000	Exceeds £50,000	West Devon Resources Committee South Hams Executive
Over £500,000	10%	West Devon Resources Committee South Hams Executive

2.17. **Heads of Service** shall:

- Comply with guidance concerning capital schemes and controls issued by the **Head of Finance & Audit**.
- Ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of **Head of Finance & Audit** and, if applicable, approval of the scheme through the capital programme.
- Ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the **Head of Finance & Audit**.
- A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the appropriate **Committee** and by Council; accountability for each proposal is accepted by a named project leader.

- To ensure that adequate records are maintained for all capital contracts.
- To consult with the **Head of Finance & Audit** where the **Head of Service** proposes to bid for capital expenditure supported by an external capital grant to support expenditure that has not been included in the current year's capital programme. The capital expenditure and external capital grant should then be reported to the **Resources Committee** as part of the capital programme monitoring report.

Why is this important?

It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Council with the objective of securing maximum residual value.

Risks:

Assets could be sold when there remains an operational use for them;
 Assets could be sold for far less than the market or expected residual value;
 Assets could be disposed of to officers, Members or others at no or very little cost, which could be construed as tantamount to fraud; and compliance with Government directives such as for electronic equipment.

Responsibilities

- 3.1. Assets no longer required may be disposed of, but only in accordance with the law and the rules of the Council as to maximise the benefit.
- 3.2. The relevant **Head of Service** will ensure that income received from the sale of surplus assets is properly banked and coded to the Council's accounts, and the **Head of Finance & Audit** informed promptly.
- 3.3. The **Head of Finance & Audit** will ensure that the appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds in the accounts as appropriate
- 3.4. The proceeds for the sale of any asset will be held corporately and may not be attributed to the service that used or disposed of the asset.

Land and Buildings

- 3.5. The Corporate Property Officer, in association with **Heads of Service**, will draft the Council's Disposal Strategy and ensure that the procedures in the Strategy are complied with. .
- 3.6. The following limits apply to the disposal of land and buildings:

Item Value ex VAT	Disposals – Land and Buildings
Below £25,000	In conjunction with the Head of Finance & Audit, the Corporate Property Officer may effect minor freehold disposals of land not required for operational purposes up to £25,000 in value.
£25,000 Up to £50,000	The Corporate Property Officer , in consultation with the Head of Finance & Audit and the Leader of Council may agree to the disposal, by sale or lease, of small areas of land whose market value does not exceed £50,000 in value.
Above £50,000	The disposal of any land and buildings over £50,000 in value requires the prior approval of the Executive for South Hams and Resources Committee for West Devon and shall be made within the context of the Council's asset management plan.

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Vehicles

- 3.7. Any vehicles that are surplus to the Council's requirements shall only be disposed of on the prior written authority of the Head of Environment Services. She/he is empowered to dispose of vehicles by way of trade-in or, following advertisement, to the highest tenderer and to hire additional vehicles where necessary. Where a vehicle has little or no sale value parts should be re-used where appropriate. The disposal of any vehicle shall either be by part-exchange or by public auction in normal circumstances. The decision on the method of disposal is the responsibility of the relevant **Head of Service**, in consultation with the **Head of Finance & Audit**, who may also in exceptional circumstances use alternative methods where it is beneficial to the Council with the approval of the Section 151 Officer.
- 3.8. All documentation relating to the sale of any vehicle is to be retained in safe custody for a period of six years and is to be available for inspection by Internal Audit, if requested.
- 3.9. Any inventory or similar record relating to the vehicle disposed of is to be endorsed with the date of disposal and the receipt number for the income received.

Plant and Equipment

- 3.10. The term equipment in this section includes all equipment of the Council including engineering, building and office equipment or machinery, but excluding computer equipment.
- 3.11. Proposed disposals of plant and equipment that are surplus to the Council's requirements shall not be separated to avoid the following approval and reporting limits:

Item Value ex VAT	Disposals – Plant and Equipment
Up to £500	Any items of plant or equipment of up to £500 in value that are surplus to the Council's requirements may be disposed of with the written authorisation of the relevant Middle Manager . A second officer shall formally witness the disposal at a local level and the appropriate records retained.
£500 to £1,500	Any items of plant or equipment of between £500 and £1500 in value that are surplus to the Council's requirements may be disposed of with the written authorisation of the Head of Service . A second officer shall formally witness the disposal at a local level and the appropriate records retained.
£1,500 to £5,000	Sealed bids are to be sought in respect of any items of plant and equipment that are surplus to the Council's requirements valued between £1500 and £5,000 on the prior written authority of the relevant Head of Service or his/her nominated deputy. It shall be the responsibility of the Head of Finance & Audit and the relevant Head of Service or their nominated deputy, to obtain the best possible price.
Above £5,000	The disposal of any item of plant and equipment valued at more than £5,000, shall be by advertised as a competitive tender unless the relevant Head of Service , after consulting the Head of Finance & Audit , decides that disposal shall be by public auction or other appropriate method e.g. part exchange.

- 3.12. The notice offering an item of plant and equipment for sale, regardless of value, is to state that any offer or tender is to be sent to Corporate Finance in a plain sealed envelope endorsed only with the name of the goods to which the offer or tender relates. The name of the person or firm must not be stated on the envelope. (In the case of amounts estimated £30,000 the tendering process described in the Contract Procedure Rules involving Member Services shall apply).
- 3.13. Up to an estimated value of £30,000, all offers or tenders received are to be held unopened in safe custody by the Corporate Finance team until the submission date and time has expired. Tenders must be opened and recorded in the presence of two officers.
- 3.14. No offers or tenders are to be considered after the date and time for the submission of offers or tenders has expired.
- 3.15. On acceptance of the highest offer, the purchaser must pay the Council before the item is released.
- 3.16. All documentation relating to the sale of any item of plant and equipment is to be retained in safe custody for a period of six years and is to be available for inspection by Internal Audit, if requested.
- 3.17. Any inventory or similar record relating to the item of plant and equipment disposed of is to be endorsed with the date of disposal and the receipt number for the income received.

Computer and Computer Related Equipment

- 3.18. The disposal of computers and computer related equipment on behalf of the Council is the responsibility of the **Head of ICT & Customer Services**, although the above principles will apply.
- 3.19. In certain circumstances, where the cost of preparing an item for disposal exceeds the estimate of likely income, obsolete equipment may be destroyed on obtaining the prior written authority of the **Head of Finance & Audit** or her/his authorised representative.
- 3.20. Disposal of electrical and electronic equipment including household appliances, IT/ telecommunications equipment, electrical and electronic tools, leisure and sports equipment etc. should comply with any relevant government/health and safety directives. Wherever possible, items should be offered for re-use or recycling where there is little or no residual value.

Why is this important?**Internal Audit**

The Chartered Institute of Public Finance and Accountancy (CIPFA) states that 'Internal audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. Internal audit objectively examines, evaluates and reports on the adequacy and effectiveness of the control environment as a contribution to the proper, economic, efficient and effective use of resources'.

External Audit

External auditors are appointed by the Audit Commission, pending a move to the Council, at the end of the current contract, appointing its own external auditor using an Independent Audit Appointment Panel. External auditors are required to be satisfied that proper arrangements have been made by the Council for governance and securing value for money in its use of resources. This work includes providing a certificate on the Council's published accounts and an annual letter to Members outlining the auditor's key findings and recommendations.

Risks:

Changes in the delivery of services could lead to internal control systems failing thereby increasing the possibility of fraud, loss, extravagance, waste or embarrassment to the Council; and
The Council could face legal action for failing to maintain an adequate and effective internal audit service.

Responsibilities**Internal Audit**

- 4.1. The Accounts and Audit Regulations state that a relevant body must 'maintain an adequate and effective system of internal audit of the Council's accounting records and of its system of control in accordance with the proper internal audit practices'.
- 4.2. The Council, through the **Head of Finance & Audit**, shall therefore make provision for an independent internal audit in accordance with the professional standards set out in the CIPFA Code of Practice for Internal Auditors in Local Government in the United Kingdom.
- 4.3. The **Chief Internal Auditor** or her/his authorised representative shall have authority to:-
 - Enter at all reasonable times on to any Council premises or land;
 - Have access to all assets, records documents and correspondence relating to any transaction of the Council;
 - Require and receive such information and explanations as are necessary concerning any matter under examination;
 - Require any employee or agent of the Council to account for cash, stores or any other Council property under her/his control; and
 - Access records belonging to third parties, such as contractors, partners etc. when required. Such a requirement shall be written into all contracts and partnership agreements.

- 4.4. The **Head of Finance & Audit** and **Heads of Service** must ensure that the above requirements are not compromised, and that all records and systems are up to date and available for inspection.
- 4.5. The **Chief Internal Auditor** will follow professional standards and guidelines issued by CIPFA, specifically the Code of Practice for Internal Audit in Local Government in the United Kingdom and prepare risk based strategic and annual audit plans as a basis of their work.
- 4.6. At the beginning of each financial year, the **Chief Internal Auditor** will present to the **Audit Committee** a risk based audit plan which over a period of time will cover all aspects of the Council's control environment and be accompanied by Terms of Reference and a Strategy setting out how the plan will be achieved.
- 4.7. Internal audit will report on its activities to the **Audit Committee** quarterly. Such reports are to include details of action agreed on recommendations of a significant nature and the **Chief Internal Auditor** shall deliver an annual opinion as to the adequacy of internal control within the authority.
- 4.8. **Heads of Service, Monitoring Officer** and/or **Middle Managers** are to consider and promptly respond to recommendations set out in Internal Audit reports and to ensure that any agreed actions arising from the recommendations are carried out in a timely and efficient fashion.

Systems Changes - Direct or Indirect Financial Nature

- 4.9. The **Head of Finance & Audit** shall advise the **Chief Internal Auditor** of any changes to systems that she/he has been informed of, to allow Internal Audit to influence the controls in the new system at an early stage.

Irregularities (Anti-Fraud and Corruption)

- 4.10. The **S.151 Officer (Head of Finance & Audit)**, in conjunction with the **Monitoring Officer**, must ensure that effective procedures are in place to promptly investigate any fraud, corruption or other irregularity.
- 4.11. The Council's 'Anti-Fraud, Corruption and Bribery Policy and Strategy' is the responsibility of the **S.151 Officer, Monitoring Officer** and **Chief Internal Auditor** and sets out the Council's anti-fraud position. A published 'Response Plan' sets out the procedures to be followed for investigations.
- 4.12. Internal Audit officers will be the normal independent investigators particularly where suspicions involve assets. The **Chief Internal Auditor** must set aside a contingency budget within the audit plan to cover such eventualities, having regard to other pressures on the team.

Direct Access to the Head of Paid Service, the Audit Committee and Executive or Resources Committee

4.13. In the event of the necessity arising, the facility exists for Internal Audit to have direct access to the as **Head of Paid Service, S.151 Officer** and the Chairman the **Audit Committee** and/or of the **Executive** or **Resources Committee**.

External Audit

4.14. The **Head of Finance & Audit** shall ensure that there is effective liaison between external and internal audit.

4.15. The **Head of Finance & Audit** will work with the external auditor and advise the Council, **Executive** or **Resources Committee**, and the **Audit Committee** on their responsibilities in relation to external audit.

4.16. **Heads of Service** shall ensure that external audit are given access at reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

Why is this important?

Banking arrangements determine who has access to the funds of the Council. All the Council's income and expenditure is managed through its bank accounts. Each day many transactions take place between the Council, its customers and the Council's bankers. Bank accounts are, therefore, exposed to risk in the form of fraud or error. As a result tight control over setting them up, maintaining them and dealing with the transactions that flow through them is required.

Risks:

Bank accounts could be opened in the name of the Council with the aim of perpetrating a fraud; Unauthorised persons could gain access to the Council's bank account and carry out fraudulent transactions; and Banking instruments, e.g. cheques, money orders etc. could be stolen and used to steal money from the Council's bank account.

Responsibilities**Head of Finance & Audit**

- 5.1. All arrangements with the Council's bankers regarding the Council's bank accounts and the terms on which they are conducted shall be made by the **Head of Finance & Audit**, who will advise on the establishment of suitable controls over access to the bank account including approval of signatories.
- 5.2. No account shall be opened, closed or altered with any bank or other such institution without the prior approval of the **Head of Finance & Audit**.
- 5.3. All the Council's bank accounts must be in the full name of the Council.
- 5.4. Cheques and related stationery shall be ordered only on the authority of the **Head of Finance & Audit** or nominated Deputy who shall make proper and secure arrangements for safe custody.
- 5.5. All cheques drawn on the Council's bank accounts shall be signed by the **S.151 Officer** or an officer designated in the Bank's mandate or bears the facsimile signature of the **S.151 Officer**.

Separation of Duties

- 5.6. The **Head of Finance & Audit** shall arrange such safeguards as she/he deems necessary and practicable including separation of staff duties so that as far as possible the following. The
:
 - Receipt and banking of cash and cheques;
 - Checking of creditors'; benefits; salaries and wages;
 - Control of cheques;
 - Preparation of cheques;
 - Despatch of cheques; and
 - Reconciliation of bank balances

Reconciliation of Bank Accounts

- 5.7. The **Head of Finance & Audit** shall nominate an officer to be responsible for reconciling all bank accounts in the name of the Council with the accounting records on a regular basis, and not less frequently than monthly. The reconciliation statement is to be signed jointly by the officer responsible for its preparation and the **Head of Finance & Audit** or his/her nominated deputy.
- 5.8. Any discrepancy arising at the time of reconciling the accounts and records will be made known to the **Head of Finance & Audit** and any such discrepancy clearly stated on the reconciliation statement.

General

- 5.9. Crossed cheques issued by the Council shall only be opened with the express approval and countersignature of the **Head of Finance & Audit** or designated authorised officer.

Why is this important?

Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

Risks:

There may be inefficient use of public money and a failure to comply with the Council's objectives; The viability of the Council as a business could be undermined; and The Council's resources may be vulnerable to fraud or misuse.

Responsibilities**Format of the Budget**

- 6.1. The format of the budget determines the level of detail to which financial control and management will be exercised.
- 6.2. The **Head of Finance & Audit** will advise the Council through the **Resources Committee at West Devon**, and the **Executive at South Hams**, on the format of the budget that must be approved by Council ensuring that the format complies with all legal requirements; reflects the accountabilities of service delivery.

Budget Preparation

- 6.3. The **S.151 Officer (Head of Finance & Audit)** is responsible for ensuring that a revenue and capital budget is prepared on an annual basis and a medium term financial strategy on a five-yearly basis for consideration by the **Executive at South Hams** and **Resources Committee at West Devon**, and in accordance with professional and statutory requirements.
- 6.4. The Council's proposed budgets must reflect service plans and identify areas of cost pressure and budget holders applications for growth in the budget. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds in accordance with corporate priorities.
- 6.5. The full Council may amend the budget or ask the **Executive** or **Resources Committee** as appropriate to reconsider before approving it.
- 6.6. Responsible Budget Officers (RBOs) are consulted in the preparation of the budget as they are accountable for the budgets which arise from the planning process,
- 6.7. The **Head of Finance & Audit** will encourage the best use of resources and value for money by working with **Heads of Service** to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

6.8. **Heads of Service** must prepare estimates of future anticipated incomes and expenditures including areas of cost pressures and growth for inclusion in the five-year financial plan with a careful consideration of corporate and service priorities.

Resource Allocation

6.9. The **Head of Finance & Audit** shall:

- Advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- Assist in the allocation of resources to Responsible Budget Officers (RBOs).
- For **West Devon**, bids to the Contingency Fund must be approved by the **Resources Committee** and bids to the Emergency Fund must be approved by the **Head of Finance & Audit** in consultation with the Chair and Vice Chair of the **Resources Committee**.

6.10. **Heads of Service** shall:

- Work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- Identify opportunities to minimise resource requirements without having a detrimental effect on service delivery.

Budget Management

6.11. After approval by the Council budget management must be exercised within the annual budget limits; there must be no increase in the overall budget (see Supplementary Estimate Request below). Expenditure is to be committed only against an approved budget head.

6.12. The **Head of Finance & Audit**:

- Is responsible for establishing an appropriate framework and providing appropriate financial information to enable budgets to be monitored effectively on an individual basis and as a whole;
- Must monitor and control expenditure against budget allocations and report to the **Executive** or **Resources Committee** as appropriate on the overall position and projected income and expenditure on a regular basis;
- To submit reports to the **Resources Committee** or **Executive** as appropriate, in consultation with the relevant **Head of Service**, where a **Head of Service** is unable to balance expenditure and resources within existing approved budgets under his/her control.

- Must ensure that:
 - expenditure is committed only against an approved budget codes;
 - each budget has a single named RBO, determined by the relevant **Head of Service**. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure;
 - each RBO has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
 - all officers responsible for budgets comply with relevant guidance, and the Financial Procedure Rules;
 - significant variances from approved budgets are investigated and reported by RBOs regularly.

- Will administer the Council's scheme of virement.

Heads of Service must:

- Ensure prior approval by Council or the **Resources Committee** or **Executive** (as appropriate) for new proposals, of whatever amount, that:
 - create financial commitments in future years
 - materially extend or reduce the Council's services.
 - involve expenditure for which budget provision is not made or is exceeded

- Maintain budgetary control within their service;

- Control income and expenditure within their area and to monitor performance, taking account of financial information provided by the **Head of Finance & Audit**. They should report on variances within their own areas.

- Ensure that an RBO is identified for each item of income and expenditure under the control of the **Head of Service** (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure.

- Responsible Officers are to be accountable for the income and expenditure for the budgets that they control. Responsible Officers are to understand their financial responsibilities and comply with accounting guidance provided by the Head of Finance & Audit and the Council's Financial Procedure Rules.

- Take any action necessary to avoid exceeding their budget allocation and alert the **Head of Finance & Audit** to any problems.

General

6.13. No officer should code expenditure to a cost centre without the approval of the RBO for that cost centre.

Virement (Budget Changes)

6.14. The full Council is responsible for agreeing the procedures for virement between budget headings, through these Financial Procedure Rules.

6.15. Virement does not create additional budget liability.

6.16. The scheme of virement is to be administered by the **Head of Finance & Audit**, and applies to both revenue budgets and the capital programme 9but not between the two):

- Properly approved virement request forms and requests not requiring approval must be processed by the appropriate Accountant who will amend the financial management system (general ledger) budget files. Approved forms must be retained for audit purposes.
- The transfer of non salary budgets for use on salary expenditure will be permitted up to a total of £10,000 per **Head of Service** per annum (not per service);
- In addition, the **Head of Finance & Audit** shall have the discretion whether or not to report a virement to the **Executive at South Hams**, having regard to the authorisation limits below.
- For **West Devon**, to prepare jointly with the **Head of Service** a report to the affected Committees where virements between different Committees are proposed

6.17. Responsible Budget Officers' are responsible for initiating the virement procedure if an overspend is likely to occur within the departmental budget.

6.18. A 'Virement Request' form may need to be completed where approval is required as set out in the tables below.

*The following table summarises the authorities required for virements at **West Devon**:*

Virement	Authorisation required
Between an RBO's own cost centres	Responsible budget holder
Between cost centres within the same Committee but with different RBOs	The relevant Heads of Service
Between cost centres in different Committees	Approval of both relevant Committees

*The following table summarises the authorities required for virements at **South Hams**:*

Virement	Authorisation required
Where the sum involved is up to £5,000	The appropriate responsible budget holder may approve the virement in consultation with the appropriate accountant. No form is required;
Where the sum involved is greater than £5,000 but is less than £30,000	A virement form is required which is to be authorised by the relevant Head of Service and Head of Finance & Audit or nominated deputy;
Where the sum involved is between £30,000 and £100,000	The appropriate Head of Service and the Head of Finance & Audit shall sign a virement form in consultation with the appropriate accountant and submit it to the Executive for approval;

Virement (continued)	Authorisation required
Where the amount exceeds £100,000 per individual virement	The appropriate Head of Service and the Head of Finance & Audit shall sign a virement form in consultation with the appropriate accountant and submit it to full Council for approval.

No virement relating to a specific financial year can be made after 31 March in that year.

Supplementary Estimate Request

6.19. If virement is not possible, for example if there is no existing budget to vire or use of reserves is inappropriate, the **Head of Service** concerned, in consultation with the **Head of Finance & Audit**, shall submit a Supplementary Estimate Request to the **Executive/Resources Committee**. No such expenditure may be incurred except on resolution of the Council after considering the proposals of the **Executive/Resources** .

Reserves

6.20. The **Head of Finance & Audit** will advise Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

6.21. For each reserve established, the purpose, usage and basis of transactions should be clearly identified. Reserves should only be used for the purposes for which they were intended.

6.22. Authorisation of expenditure from reserves must be sought by the appropriate **Head of Service** in consultation with the **Head of Finance & Audit**.

6.23. The **Head of Finance & Audit** may approve the use of Earmarked Reserves and Unearmarked General Fund Reserves up to a limit of £30,000, and may also approve increasing or creating Earmarked Reserves up to a limit of £30,000.

6.24. The use of Reserves over £30,000 requires the prior approval of the **Executive** for **South Hams** or **Resources Committee** for **West Devon** upon receipt of a report from the **Head of Service** and **Head of Finance & Audit** with the exception of Salcombe Harbour, which requires a recommendation to Council by the Salcombe Harbour Board.

Using Funds Held Under S.106 Agreements

6.25. The rules for the Urgent Use of Reserves will follow the requirement of the Delegation Scheme, Part 3 of the Constitution, Section 6 Delegations to Senior Officers – Urgent Items.

6.26. Projects to be funded, in whole or in part, from S.106 Agreements must meet the requirements of the agreement.

- 6.27. Authorisation of expenditure using funds received from S.106 Agreements must be sought from the **Head of Finance & Audit** for amounts up to £30,000 by the appropriate **Head of Service**, following consultation with the relevant **Ward Member** as a minimum.
- 6.28. The use of funds received from S.106 Agreements for projects over £30,000 requires the prior approval of the **Executive** for **South Hams** or **Resources Committee** for **West Devon** upon receipt of a report from the **Head of Service** and **Head of Finance & Audit**, following consultation with the relevant **Ward Member**.

Shared Services

- 6.29. The **Head of Finance & Audit (S.151 Officer)** will ensure that a framework exists for the recharging of costs incurred by one partner Council on behalf of the other, having regard to the:
- Moral and legal requirement that one Councils tax payers are not subsidising the costs of the others:
 - Principle accepted by Members that partner Council's do not incur excessive costs in establishing the value of recharge due, although the recharge must be transparent and supportable to ensure its acceptability to the Councils' external auditors.
- 6.30. The **Heads of Service** and **Middle Managers** must ensure that:
- Their managers are aware that they are responsible for the recharging of costs incurred and must consider budget implications of using employees of the shared Council before deciding where a shared resource is deployed. In each case focus needs to be on who will benefit from the expenditure (and therefore who should bear the cost of the work).
 - Budgets must not be used to fund another authority's costs even where they have a budget shortfall.
 - All recharges must be transparent and robust with a clear audit trail and a clear basis for recharge
 - Should tasks be undertaken by an officer in one Authority on behalf of both, clear parameters need to be set to ensure that there is no duplication
- 6.31. The lead officer must check the VAT and insurance implications of any proposed new shared services working arrangements with Corporate Finance well before they are due to start.
- 6.32. Officers must always be thinking about shared services and whether any of their work needs to be recharged (on a regular or ad hoc basis).

Capital Programme (Links to the Contract Procedure Rules)

- 6.33. See Section 2 - Assets

Why is this important?

Any loan to an individual carries with it an element of risk on the part of the lender. The lender has to be sure that the person receiving the money can afford to repay it within an agreed timescale. In the case of car loans this is restricted to use for just that, the purchase of a new or approved second hand car. The Council wishes to ensure that its 'interest' in the vehicle being purchased is protected.

Risks:

The member of staff may be unable to repay the loan;
The vehicle may not be worth the sale price and hence the Council's interest in it would be reduced;
and
If not comprehensively insured the Council's interest in the vehicle is no longer tangible.

Responsibilities

- 7.1. The **Head of Corporate Services** shall be empowered to make loans in accordance with the Council's scheme to employees who are in receipt of an essential user car allowance and in all other cases where it is essential for the proper conduct of the Council's business that the employee should provide a car.
- 7.2. A register of car loans shall be maintained by the **Head of Corporate Services**.

Application and Payment

- 7.3. Every applicant for a car loan shall submit an application form giving the details required and indicating the approval of the **Head of Service**.
- 7.4. Payment of a loan shall be made by the **Head of Corporate Services** against a signed agreement to comply with the conditions of the scheme including authority to deduct amounts due from salary payment, and will require the support of the **S.151 Officer (Head of Finance & Audit)**.
- 7.5. Cheques or BACS payments for vehicles will be made payable to the seller of the car (normally a garage) or the applicant in line with the relevant Council's policy. A receipt from the seller of the car must be produced and handed to the Council within 14 days of the payment of the loan and a copy taken and held on file.

Responsibilities of the Borrower

- 7.6. Cars must be comprehensively insured for business use (see also FPR Travel and Subsistence) and the **Head of Corporate Services** or her/his nominated officer is authorised to inspect policies or certificates of insurance for confirmation at any time.
- 7.7. Borrowers must hold a full valid driving licence and this will be checked at the discretion of the **Head of Corporate Services**.

Repayment

- 7.8. Repayment of a car loan must be completed within the agreed period to a maximum of 5 years. Deductions of the appropriate amount will be made from salary by the **Head of Corporate Services**.
- 7.9. In circumstances where an employee with an outstanding car loan leaves the employment of the Council, arrangements for full repayment will be required before the employee has left the Council's service.

EXPENDITURE - ORDERING (Goods, Works, Services) Section 8

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements..

Risks:

The incorrect volume, number or quality of goods, works and services may be received; Goods, works or services received may not be fit for purpose;
The Council may be committed to spending on goods, works or services for which no budgetary provision has been determined;
Officers failing to follow contract and tendering procedures may leave both themselves and the Council open to accusations of favouritism and unfair contract terms;
Goods, works or services ordered may fail to meet the Council's environmental, health and safety and other strategies and policies; and
Short-term expenditure may commit the Council to longer-term maintenance costs.

Responsibilities

- 8.1. These procedures should be read in conjunction with the Council's Contract Procedure Rules and the Procurement Strategy.
- 8.2. Every officer and Member of the Authority has a responsibility to declare to the **Monitoring Officer** any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.
- 8.3. Each **Head of Service** is authorised to incur normal recurring expenditure provided that:-
 - Provision has been made by way of revenue budget or supplementary estimate, virement or the work is rechargeable. Officers must not use an incorrect expenditure code to avoid overspending;
 - The quotation or tendering procedure required by the Contract Procedure Rules has been observed unless the Council has given authority for Exemption to Contract Procedure Rules;
 - In cases not covered by Contract Procedure Rules, **Heads of Service** shall obtain competitive quotations; and
 - Each order shall conform to the directions of the Council with respect to central purchasing and the standardisation of supplies and materials.

Orders

- 8.4. Official orders shall be in a form agreed by the **Head of Finance & Audit** with the responsible **Head of Service**, which in normal circumstances will be the Council's electronic ordering system.

EXPENDITURE - ORDERING (Goods, Works, Services)	Section 8
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- 8.5. The **Head of Finance & Audit** may approve alternative arrangements for the ordering of goods etc. where circumstances or trading necessity make this in her/his opinion desirable. Such approval must be given in writing/email.
- 8.6. Official orders shall be serially numbered and directions shall be specified on all orders that invoices shall be sent to Kilworthy Park for West Devon, and service group or establishment issuing the orders for South Hams as soon as possible after the despatch of goods.
- 8.7. The **Head of Service** of a service group shall be responsible for all orders issued from that service group. She/he shall maintain a list of all persons authorised to raise orders on her/his behalf and a copy of the list shall be supplied to the **Head of Finance & Audit**.
- 8.8. Blank paper orders (where held) should be kept securely at all times.

Ordering

- 8.9. **Heads of Service** should ensure that:
- All goods and services are ordered only by appropriately authorised persons;
 - Officers are aware that official orders, either in whole or in part, are not to be used to obtain goods works or services for private use.
 - Official orders are issued for all work, goods and services to be supplied to the Council. They are a simple form of contract between the Council and a supplier.
- 8.10. Orders are not required for:-
- Rates;
 - Supply of utility services (e.g. gas, water, electricity, telephone); and
 - Small cash purchases properly paid out of petty cash (see FPR Petty Cash).
- 8.11. Other exceptions must be agreed by the **Head of Service** concerned, in consultation with the **Head of Finance & Audit**.
- 8.12. Oral orders shall only be given in the case of urgency by an officer authorised to sign the relevant order. Such oral orders shall be confirmed as soon as practicable within 48 hours by the issue of an official order unless exempt by the paragraph above.
- 8.13. No order shall be issued for goods, work, or services unless the cost is covered by the approved annual budgets, supplementary estimate or by virement approved under these Financial Procedure Rules. The electronic ordering system will alert the authorising officer if there is a shortfall in the cost code being used, and this should only be overridden if the officer is certain that funds are available in related cost codes.

EXPENDITURE - ORDERING (Goods, Works, Services) Section 8

- 8.14. All official orders shall show the relevant expenditure code and the actual or estimated cost of the goods, materials or services taking into account discounts, carriage etc. at the time of the order. The commitment against the budget will be shown when the electronic ordering system is used.
- 8.15. No supplies are to be obtained on behalf of the Council without an order number being quoted and an order despatched.
- 8.16. Orders placed internally for central purchasing contract purchases e.g. stationery, office equipment may only be signed by those authorised to sign orders by the **Head of Service** of the relevant service group.
- 8.17. In cases where orders are lost in the post or by suppliers, confirmation of the order shall be given by letter quoting the original order number, except where duplicate orders issued marked as such (e.g. using the electronic ordering system).
- 8.18. Standard Terms and Conditions must not be varied without the prior approval of the Council's Procurement Officer and the Council's Solicitor dealing with contracts.

Quotations

- 8.19. Best endeavours must be made by ordering officers to ensure that the most favourable prices and terms are obtained for the supply of goods, works and services in accordance with the Council's Contract Procedure Rules and Procurement Strategy.
- 8.20. The following table is a summary of the quotation/tendering requirements, which also apply to any sub-contractors working on behalf of the Council and to the appointment of any specialist contractors/consultants. Orders are not to be split into smaller orders solely to avoid the value limits and procedures laid down in these Rules.

Limits for Quotations and Tendering (from Contract Procedure Rules)

Item Value ex VAT	Quotations/Tendering	Requirement
Below £5,000	One quotation, but good practice to seek most favourable prices and terms, having regard to the Council's Procurement Strategy.	Good Practice
£5,000 to £30,000	3 quotations appropriately evidenced.	Yes
Above £30,000	Tendering in line with Contract Procedure Rules – Part 4 of the Constitution	Yes
ICT	All system developments and purchases of computer equipment or software must be approved by the Head of ICT, or her/his nominated deputy.	Yes

- 8.21. Where an internal supplier exists, such as printing, waste disposal, legal etc., **Heads of Service** are expected to approach these support services for a quotation before placing any external order for the service.

EXPENDITURE - ORDERING (Goods, Works, Services)	Section 8
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- 8.22. The use of formal corporate contracts is a requirement and individual orders from other suppliers of items within these contracts should not be made. This is because although a lower price may be found elsewhere, quality will have been tested as part of the contract letting, and the additional costs of looking for lower prices, physically placing a separate order, processing and paying the invoice and in some cases retrospective discounts (rebates), are masked.
- 8.23. In exceptional circumstances, where ongoing large orders are placed and individual items can be found substantially cheaper elsewhere, corporate contracts can be ignored with the written/email approval of both the **Head of Service and Corporate Procurement Officer**.
- 8.24. Certain suppliers e.g. Devon Purchasing, and other formal Procurement Partnerships are deemed to have obtained sufficient quotations etc. to comply with this requirement, as a part of their compliance with the European Union purchasing regime. The Contract Procedure Rules Section 3 refers and the advice of the **Corporate Procurement Officer** or Internal Audit should be sought.
- 8.25. Reliance upon quotations obtained by formal partners should only be used if they meet the requirements of these rules, and are current and appropriately evidenced.
- 8.26. The best value for money for the Council may not necessarily lie with the lowest quotation. Consideration needs to be given to the whole life costs of goods, works and services. In these circumstances, an order may be placed with a provider other than the cheapest. However, the written/email approval of the responsible **Head of Service** must be obtained and the reasons appropriately recorded.
- 8.27. All **Heads of Service** shall ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the **Head of Finance & Audit**. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

Open/Regular Supply Orders

- 8.28. Normally orders must not be kept "open" for more than fourteen working days or until completed, whichever comes first.
- 8.29. However, approval will be given by the **Head of Finance & Audit or Finance Middle Managers** to keep an order open where it can be shown that specified supplies from one contractor are required on a continuing regular basis, such as rental charges, having regard to the market testing limits above. All such orders are to be closed down immediately following the approved period to a maximum of the financial year-end, and the expected payments to be recorded on it.

Information Technology (ICT) Equipment and Software

- 8.30. All system developments and purchases of computer equipment or software must be approved by the **Head of ICT & Customer Services**, or her/his nominated deputy, in accordance with the Council's ICT Strategy and must comply with EC Legislation and Directives. For the purpose of this FPR, equipment will include any device capable of being linked physically or otherwise to the Council's computer or telephone systems (e.g. digital cameras).
- 8.31. Only the **Head of ICT & Customer Services** is empowered to enter into contracts for information, communication and technology services up to a value set in the Council's Contract Procedure Rules. For contracts above this limit, the **Head of ICT & Customer Services** must consult with the Council's Solicitor and the **Head of Finance & Audit**.
- 8.32. Orders in respect of ICT hardware and software should be in the form of an ICT hardware/software request. These must be submitted to the **Head of ICT & Customer Services**, who is authorised to place the official order.

Orders, Delivery Notes and Invoices

- 8.33. All incoming invoices should be matched with the relevant order and the delivery note filed accordingly.

Orders to Individuals (Self-employed)

- 8.34. Special care should be taken when issuing orders or making payments to individuals. The fact that a person considers her/himself to be self-employed does not necessarily mean that they are in the view of the Inland Revenue. Where a service is provided (rather than goods), and payments are calculated by the hour or day, it is probable that payment should be through the Council's payroll.
- 8.35. The matter should be referred to the **Head of Corporate Services** without delay. (It should be noted that failure to treat such payments in the correct manner might result in the Council incurring significant penalties for failing to comply with tax legislation).
- 8.36. See also section 25 Taxation regarding the completion of the HMRC.
- 8.37. Using an existing Council employee, or a relative, as a self employed consultant should be avoided, even if quotations have been obtained in line with these Rules. In exceptional circumstances, the relevant **Head of Service** with the agreement of the **Monitoring Officer** may override this Rule where such action is clearly beneficial to the Council.

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

Risks:

The Council could pay for goods and services that have not been received;
The Council could pay for goods and services twice or more in error; and
Interest could be charged to the Council by suppliers following late payment.

Responsibilities

- 9.1. These procedures should be read in conjunction with the previous section on ordering, and the Council's Contract Procedure Rules (Part 4 of the Constitution).
- 9.2. Apart from petty cash, the normal method of payment from the Council shall be electronic or by cheque or other approved method, drawn on the Council's bank account by the **Head of Finance & Audit**. The use of direct debit or standing order shall require the prior agreement of the **Head of Finance & Audit or Finance Middle Manager**, although the most economical method of payment will be encouraged.

Invoices

- 9.3. The payment of all monies due from the Council will be made under the control of the **Head of Finance & Audit** with the exception of payments properly made from petty cash (FPR Petty Cash). This includes making payment specifically required under statute or court order whether or not the budget provision exists.
- 9.4. Each **Head of Service** will arrange for invoices to be sent to Kilworthy Park for West Devon, and for South Hams in the first instance to the service group or establishment issuing the orders in accordance with directions to be specified on the orders. The supplier will be asked to quote the name of the service group, the number of the order and the place where the work was done or goods delivered.
- 9.5. Invoices for payment by the Council must not be drafted by officers of the Council on behalf of others except in any case or category of cases previously agreed by the **Head of Finance & Audit**.
- 9.6. No amendments, changes or avoidance of the system laid down for the processing of invoices for payment must be undertaken without the approval of the **Head of Finance & Audit**.
- 9.7. Invoices will only be accepted on which details are written in ink, typewritten, printed or generated by computer. No payment is to be made against a faxed or photocopied invoice unless the prior approval of the **Head of Finance & Audit** or her/his appointed representative has first been sought.

9.8. All amendments to an account will be made in ink and signed or initialled in her/his own name by the officer making the amendment and the reasons if not self-evident will be briefly stated on the account. No amendments will be made to the amount of VAT payable.

Invoices – Self Employed Status

9.9. To comply with Inland Revenue requirements **Heads of Service** are required to formally consider the employment status of individuals employed on a 'self employed consultant or sub contract' basis. Advice should be sought from the **Head of Corporate Services** in the case of any doubt as payment via the payroll system may be required.

Payment Request Forms

9.10. In some circumstances a payment request form is completed to generate a payment e.g. Disabled Facility Grants at South Hams where the payment is made to a contractor from an invoice addressed to the claimant.

9.11. The principles of the certification and authorisation paragraphs below will apply to payment requests submitted to Corporate Finance either electronically or manually.

Receiving/Certification

9.12. The **Head of Service** issuing an order will be responsible for the examination, verification and certification of the relevant account on the original document. An attachment may be used for coding purposes.

9.13. The 'receiving' (in the electronic ordering system or creditors system) or certification of an invoice on behalf of a **Head of Service**, by an officer authorised by her/him and who is not the 'authorising officer', will imply:-

- That the goods have been received, examined and approved as to quality and quantity, or that services rendered or work done has been performed satisfactorily;
- That they conform to the order;
- That the price is in accordance with the quotation, contract or current market rate, whichever is applicable, or is otherwise reasonable;
- That all trade and cash discounts, other proper allowances and other credits due have been deducted;
- That the expenditure has been properly incurred, has been duly authorised and is within the estimates;
- That costing allocations are correct;
- That the account has not been previously passed for payment and has now been recorded as paid on the copy order or other authorisation;
- That appropriate entries have been made in any inventories, goods received or stores records which are required to be kept;
- That the invoice is arithmetically correct and that it complies with VAT regulations;

- That any commitments pertaining to the original order have been identified and cancelled.

9.14. A list of officers authorised to receive or certify accounts will be sent by each **Head of Service** to the **Head of Finance & Audit**. All amendments to the list will be notified to the **Head of Finance & Audit** in writing. The **Head of Finance & Audit** will be responsible for arranging the appropriate access to the electronic ordering system or creditors system for service officers.

9.15. Every account will be signed in manuscript in the certifying officer's own name, in situations where the electronic ordering system or creditors system has not been used.

Authorisation

9.16. The authorisation of accounts will be made by the **Head of Service** concerned, or by an officer authorised by her/him, either in writing or electronically using the electronic ordering system or creditors system, or the **Head of Finance & Audit**.

9.17. The names of officers with the authority to authorise invoices will be sent by each **Head of Service** to the **Head of Finance & Audit**. The **Head of Finance & Audit** will be notified of any changes in writing/email. The **Head of Finance & Audit** will be responsible for arranging the appropriate access to the electronic ordering system for service officers.

9.18. Every invoice will be signed in manuscript in the authorising officer's own name, in situations where the electronic ordering system has not been used.

9.19. Depending whether manual or electronic ordering is used, the officer authorising the payment will be confirming the following:-

- That the order or account has been properly checked and raised/certified by an officer authorised to do so;
- That the order or account relates to necessary and valid expenditure, which conform to the needs of the particular service; and
- That the items are coded to the correct financial code. The electronic ordering system will alert the authorising officer if there is a shortfall in the cost code being used, and this should only be overridden if the officer is certain that funds are available in related cost codes.

Separation of Duties

9.20. The duties of ordering and receiving goods, works and services and of certifying or authorising the relevant accounts for payment will not be performed by the same officer, subject to the **Head of Finance & Audit** being informed if such a separation of duties in any individual instance is impracticable.

Payment

- 9.21. All payments are to be made to the correct person, for the correct amount and properly recorded, with evidence of the transaction and payment stored for a period in accordance with statutory and Council requirements
- 9.22. At South Hams accounts for payment will be submitted, appropriately certified and authorised to the **Head of Finance & Audit** within 14 days of receipt by the relevant service and West Devon authorised on the creditors system. For both Councils, they must be paid within 30 days of receipt unless they are formally in dispute. Exceptions are where different terms are agreed with the supplier, and for small and medium businesses to be paid in line with any target set by the **Executive (SH)** or **Resources Committee (WD)**.
- 9.23. The **Head of Finance & Audit** will examine as far as she/he considers necessary all accounts passed to her/him for payment and she/he will be entitled to make all such enquiries and to receive such information and explanations as she/he may require to satisfy her/himself that the accounts are in order.
- 9.24. Payments are not to be made on copy or faxed invoices except where that invoice has been approved by one of the signatories to the Council's bank account following the appropriate checks.
- 9.25. The **Head of Finance & Audit** will be responsible for carrying out such checks of the arithmetic accuracy of accounts submitted for payment, as she/he deems necessary.
- 9.26. Creditors will be paid by BACS whenever possible with a remittance advice forwarded within 24 hours of payment. All bank details to enable payment will be held on the Creditor's individual file records and amended by Corporate Finance staff only on receipt of official notification in writing from the creditor, duly verified.
- 9.27. Cheques must only be returned to the officer requesting payment in exceptional circumstances, and an appropriate record kept by Corporate Finance of the distribution.
- 9.28. Each **Head of Service** will as soon as possible after 31st March in each year, and in any case not later than a date to be specified by the **Head of Finance & Audit**, notify the **Head of Finance & Audit** of all outstanding items of expenditure relating to and incurred in the previous financial year which have not been passed to her/him for payment. When such items of expenditure are subsequently certified for payment they shall be identified accordingly.
- 9.29. Payment for goods and services not yet received should only occur in exceptional circumstances and with the prior approval of an authorising officer. A record of the payment should be made on the order and checks should be carried out to ensure that delivery subsequently takes place.

- 9.30. All paid invoices and certificates will be retained by the **Head of Finance & Audit** for a minimum period of six financial years after the year to which they relate.
- 9.31. Payments must not be raised for internal transactions of the Council, even between departments without the prior approval of the **Head of Finance & Audit**.

Returned Cheques

- 9.32. At South Hams, all creditors cheques returned to the Council, whether by hand or by post, shall be passed immediately to the Cashier's Section and not to the instigating section or Corporate Finance. The cheque must be cancelled and the instigating section informed of the cheque having been returned.
- 9.33. The instigating section and Corporate Finance are to be informed of any cheques returned in order that appropriate action may be taken to update records etc.

Value Added Tax (VAT)

Links to the FPR relating to Taxation

- 9.34. It is the responsibility of all receiving ('GRN') or 'Certifying Officers' to ensure that the relevant VAT invoice is forthcoming, in accordance with the guidance issued by the Council's VAT officer on behalf of the **S.151 Officer**.
- 9.35. All invoices received from VAT registered suppliers, which contain elements of VAT must be valid tax invoices. In cases where payment is required with the order the VAT should be coded to the VAT suspense account.
- 9.36. VAT should not be added to any charge invoiced by a supplier without evidence that the supplier is registered for VAT. No amendments will be made to the amount of VAT payable. If the VAT status of the supplier is thought to be incorrect, the matter should be referred to Internal Audit for further investigation.

Credit/Purchase Cards

- 9.37. Corporate credit/purchase cards may be issued for buying work related goods or services and shall only be issued to and used by officers/Members approved by the **Head of Finance & Audit**.
- 9.38. Officers/Members issued with a corporate credit/purchase card shall ensure that it is held securely at all times and shall immediately report its loss or theft to the **Head of Finance & Audit**/Internal Audit whereupon the issuing company shall immediately be notified by telephone with confirmation in writing.
- 9.39. Officers issued with a corporate credit/purchase card shall not lend or disclose the details of the card to other officers unless they have received due authority to do so from the appropriate **Head of Service** and only in emergency cases. Great care should be taken where a purchase is made using the Internet, i.e. only reputable and secure 'https' web sites should be used.

- 9.40. Cardholders must sign the Council's Cardholder Responsibilities and Guideline for Operatives' form to confirm that they have read and understood the guidance.
- 9.41. Where an employee leaves the Council's employment, or is suspended from duty for any reason, the appropriate **Head of Service** shall ensure that the credit card is immediately surrendered. The **Head of Finance & Audit** will take immediate steps to cancel the card and destroy it to prevent further use.
- 9.42. The card issuer's statement must promptly be reconciled to receipts and then be submitted to the **Head of Finance & Audit** before payment is due. Payment to the card issuer must be authorised by the relevant **Head of Service** or the **Head of Finance & Audit**.
- 9.43. Should an unauthorised transaction be noted, the employee shall immediately notify the **Head of Finance & Audit** who will investigate the irregularity.

Financial Year End

- 9.44. **Heads of Service** shall notify the **Head of Finance & Audit** of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the **Head of Finance & Audit**.

Loans, Leases and Rental Agreements

- 9.45. The **Head of Service** shall ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the **Head of Finance & Audit**. All loans, leases and rental agreements must be in a form approved by the Council's Solicitor. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

Why is this important?

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide 'seamless' service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery provide additional resources to enable the authority to deliver services to the local community. However, in some instances although the scope for external funding has increased such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

Risks:

Statutory requirements are not complied with;
 Funds are acquired in respect of policies that have not been approved by the Council;
 The Council signs up to long term agreements without securing match funding; and
 Unforeseen risks could cause additional expenditure / staff time needed to manage funded projects.

Responsibilities10.1. The responsible **Head of Service** must

- Complete a project mandate including risk assessment and consult all stakeholders before the project commences to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- Make the **Head of Finance & Audit** aware of any prospective funding arrangements, prior to entering into an agreement and ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.
- The relevant **Head of Service** must seek the relevant approvals, including from Members/Member bodies where appropriate, and ensure that reports provide detailed information on future costs to the Council in managing the funding.
- With the officer appointed to manage the project, ensure that the funding bodies grant conditions / requirements are met; that the project progresses in accordance with the agreed project plan; that all expenditure is properly incurred and recorded and that all claims for funds are made by the due date.
- With the **Head of Finance & Audit**, ensure that audit requirements are met.

10.2. The **Head of Finance & Audit** must

- Review proposals in detail to ensure that they are viable and ensure all funding requirements are considered and future revenue or capital budgets reflect these requirements
- Ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts, and that the audit requirements with regard to the external funding are met.

Why is it this important?

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

The Council's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

Risks

There may be a loss of assets and reputation if the Council allows fraud, corruption or bribery to be perpetrated against it.

Responsibilities

11.1. It is the responsibility of all Members and staff act with integrity and lead by example.

11.2. The **S.151 Officer, Monitoring Officer** and **Chief Internal Auditor** shall:

- Develop and maintain an Anti Fraud, Corruption & Bribery Policy and Strategy and supporting Response Plan;
- Develop and maintain an Anti Money Laundering Policy and supporting procedures;
- Regularly update the Anti Fraud, Corruption & Bribery Policy and Strategy Anti Money Laundering and present them to the **Audit Committee** for recommendation of approval
- Promote adequate and effective internal control arrangements (see separate FPR).

11.3. The **Monitoring Officer** shall:

- Ensure whistle blowing procedures are in place, promoted and operate effectively;
- Promote high standards of conduct amongst Members and officers;
- Maintain a register of interests in which any hospitality or gifts accepted must be recorded.

11.4. **Heads of Service** shall ensure that:

- All suspected irregularities are reported to the **Head of Corporate Services, or Head of Finance & Audit** or internal auditor in line with the Policy and Response Plan.
- Where financial impropriety is discovered, the **Head of Finance & Audit** and the **Monitoring Officer** are informed and where sufficient evidence exists to believe that a criminal offence may have been committed, the Police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- All staff are aware of and contribute, when appropriate, to the corporate register of interests held by the **Monitoring Officer**. Managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt.

GRANTS, SUBSIDIES, CLAIM FORMS & STATISTICAL RETURNS

Section 12

Why is this important?

Grants and subsidies are a significant source of finance to the Council. As such it is essential that the Council receives all that is due to it and on time. Statistical returns often have a significant financial impact upon the authority in respect of the allocation of future grant funding streams.

Risks:

Potential income from grants may not be received or received late, the Council thereby having to meet any shortfall in income;

Grant claim forms may be incorrectly completed; and

The Council could be criticised by external audit for failing to claim and/or record grant income correctly.

Responsibilities

12.1. The **Head of Finance & Audit**, in association with other **Heads of Service** where relevant, shall be responsible for ensuring that all forms relating to subsidies, grants and claims submitted to Government Departments or other grant paying bodies are completed on behalf of the Council.

12.2. The **Head of Finance & Audit** or relevant **Head of Service** shall nominate specific officers to complete various subsidy, grant and claim forms and it shall be their duty to deal with the forms expeditiously using the most accurate information available.

Grants Conditions

12.3. The **Head of Finance & Audit** or relevant **Head of Service** shall ensure that the conditions of any subsidy or grant are met, including the submission of claims on a timely basis as required by the terms of the grant paying body. Great care shall be taken in the preparation and submission of grant claims and statistical returns in order to ensure their accuracy.

Receipts and Payments

12.4. Any payment by or income due to the Council arising from a submitted subsidy, grant or claim form shall be made known to the **Head of Finance & Audit** and amounts recorded for accounting purposes to the financial codes set up for the purpose.

Audit Requirements of the Grant Paying Body

12.5. The **Head of Finance & Audit** or relevant **Head of Service** shall give early consideration to the audit requirements of the grant paying body and make the necessary arrangements for auditing to ensure that relevant deadlines are met.

12.6. Copies of subsidy, grant and claim forms, together with adequate supporting working papers shall be prepared and retained and are to be made available for inspection by internal or external auditors.

Why is this important?

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly, and all VAT correctly accounted for. Receivable income should be collected at the earliest opportunity and in advance of any consequential supply of goods or services, as this improves the Council's cashflow and also avoids the time and cost of administering debts.

Risks

Income collected could be lost or stolen;

Income may not be collected or may be incorrect, i.e. the incorrect rate or tariff is charged;

Money owed to the Council may not be adequately pursued; and

Financial and accounting records may not be correctly updated.

Responsibilities

13.1. The **Head of Finance & Audit** must:

- Agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- Approve the form of all books of accounts, and all official receipt forms or books, licences, tickets and all documents or vouchers representing receipts for money or money's worth. They shall be ordered, controlled and issued by her/him, and all new stock and issues will be properly recorded by the **Head of Finance & Audit** and acknowledged by the recipient (unless by prior arrangement and approval e.g. car parking tickets).
- Ensure officers collecting income shall not be the only officer involved in the reconciliation of that income to the amounts due.
- Review and update a Money Laundering Avoidance Policy for the Council.

Charges for Services

13.2. **Heads of Service** must establish an appropriately approved charging policy for the supply of goods or services, with the appropriate member approval if required, including the appropriate charging of VAT, with advice from the **Head of Finance & Audit**.

13.3. They must ensure that the **Head of Finance & Audit** is notified promptly of all monies due to the Council under contracts, leases, tenancy agreements, agreements for the sale of property and any other agreements involving the receipt of money by the Council, and the **Head of Finance & Audit** will have the right to inspect any documents or other evidence in this connection as she/he may decide.

13.4. With the exception of those fixed nationally or delegated to officers, no new charges for services, or a revision of charges, will be made except upon a report prepared jointly by the **Head of Service** concerned and the **Head of Finance & Audit** to the appropriate member body.

Cash Collection and Banking

- 13.5. **Heads of Service** must ensure that all monies received on behalf of the Council shall without delay (within one working day unless circumstances prevent) be either paid to the **Head of ICT & Customer Services**, in accordance with regulations agreed by the **S.151 Officer** or, subject to her/his instructions, banked in the Council's name in compliance with the Accounts and Audit Regulations. The responsibility for identifying amounts due and the responsibility for collection, should be separated as far as is practicable.
- 13.6. Where possible income shall be collected in advance of providing goods or services having due regard to accounting and VAT implications as advised by the **Head of Finance & Audit**.
- 13.7. Cash collected or held on behalf of the Council is to be fully accounted for and an official receipt issued. The official receipt number or other appropriate reference number is to be recorded on all cheques and postal orders received on behalf of the Council. Copy receipts, tickets and other records of income for the appropriate period to hold securely.
- 13.8. No deduction may be made from income save to the extent that the **Head of Finance & Audit** may specifically authorise
- 13.9. Every department or establishment which receives cash and cheques through the post must arrange for the post to be opened by at least two officers who will record and witness all remittances received.
- 13.10. Third party cheques will not be accepted in payment of accounts due to the Council. No change shall be given for any cheque payments.
- 13.11. Income shall be recorded and banked daily following reconciliation or at such intervals as the **Head of Finance & Audit** may decide. In any event banking shall be made at least once per week or before the relevant insurance limit is exceeded. This rule also applies to any rent and other cash collectors.
- 13.12. All officers paying in must complete a paying in slip in duplicate in a form approved by the **Head of Finance & Audit**.
- 13.13. Where a cheque is accepted, together with cash, in settlement of a debt, the detail must be noted on the copy of the cheque list which accompanies the paying in slip.
- 13.14. All collecting officers must maintain an "unders and overs" record for any discrepancies and discrepancies over £30 must be reported immediately to Corporate Finance.

Personal Cheques

13.15. Personal cheques shall not be cashed nor money loaned out of cash held on behalf of the Council, including income or change floats.

Change Floats

13.16. The **Head of Finance & Audit** may advance a fixed imprest to an officer of the Council for use as a change float. Each imprest shall be of such amount as the **Head of Finance & Audit** may determine in consultation with the relevant **Head of Service**.

13.17. Following certification of receipt, officers holding change floats take personal responsibility for the custody of cash until such time as another authorised officer certifies take over of responsibility.

13.18. No income is to be used as a change float. Cash income or change floats are not to be used as petty cash in any circumstances (see also FPR Petty Cash (Imprest Accounts)).

13.19. Every officer holding a change float shall certify to Corporate Finance the amount of the float held at 31st March each year.

13.20. Change floats shall be available for inspection by internal audit officers at any time.

Security

13.21. It is the responsibility of the receiving officers and their managers to ensure that all income and floats are locked away to safeguard against loss or theft, and to ensure the security of cash handling, in line with the requirements of the Council's insurers.

13.22. When remittances are passed to a second officer or cashier, a receipt must be obtained from the person to whom they are handed. At least two employees shall be present when post is opened to ensure that money received by post is properly identified recorded and witnessed.

Raising Invoices (Sundry Debtors)

13.23. The control and recovery of debts is the responsibility of the **Head of Finance & Audit**.

13.24. The relevant **Head of Service** will furnish such particulars of charges for work done, goods supplied or services rendered on behalf of the Council and of other amounts accruing due, as the **Head of Finance & Audit** may require and so ensure prompt recording of all funds receivable by the Council.

- 13.25. The responsible officer must ensure that invoices are raised in respect of work done, goods supplied or services rendered on behalf of the Council within 10 working days of the work having been done/ goods supplied or services rendered.
- 13.26. It is the responsibility of all officers raising invoices to ensure that the VAT is appropriately accounted for in an invoice, in accordance with the guidance issued by the Council's VAT officer on behalf of the **S.151 Officer**.
- 13.27. Invoices must not be raised for internal transactions of the Council, even between departments without the prior approval of the **Head of Finance & Audit**.

Recovery

- 13.28. Accounts raised are to be pursued by the **Head of ICT & Customer Services** for Council Tax, Benefit overpayments and Non Domestic Rates, and the **Head of Finance & Audit** for Sundry Debtors within defined timescales including referral to collection agencies, the Council's Solicitor or Court as appropriate and depending on the type of debt.
- 13.29. For sundry debts the Policy for the Collection and Recovery of Sundry Debt must be adhered to, and the service concerned shall be regularly informed of recovery progress so as to ensure that further provision of goods or services is stopped until payment is forthcoming.
- 13.30. **Heads of Service** will ensure that all necessary documentation required by the Council's Solicitor to support legal action in pursuit of debt, will be provided promptly and in the form required.

Bad and Doubtful Debts

- 13.31. The **Head of Finance & Audit** is empowered to write off bad and doubtful debts up to £5,000, after satisfying her/himself that it would be uneconomic or inappropriate for the Council to pursue them, and where appropriate a Legal representative has considered the Council's position and also takes the view that the debt is unlikely to be recovered without expenditure disproportionate to the amount involved.
- 13.32. In the case of debts due to other service groups, the **Head of Finance & Audit** will consider writing off the debt having first consulted with and obtained the written authorisation of the relevant **Head of Service** or her/his deputy.
- 13.33. No debts in excess of £5,000 may be written off without the approval of the **Executive at South Hams or Resources Committee at West Devon**
- 13.34. The total amounts of debt written off by the **Head of Finance & Audit** under delegated powers will be reported to these bodies annually or more frequently if appropriate,

13.35. Appropriate accounting entries shall be made only following the receipt of write-off approval, with the charge made to the budget to cost centre.

Cancellations

13.36. Invoices should only be cancelled in circumstances where the income no longer falls due, such as an error or change in circumstances on the original.

13.37. Invoices that have been raised cannot be cancelled without the authorisation of the relevant **Head of Service** or her/his appointed deputy and the **Head of Finance & Audit** or her/his appointed deputy.

Financial Year End

13.38. The **Head of Finance & Audit** is to be informed of any outstanding income relating to the previous financial year as soon as possible after the 31st March, and not later than 30th April.. This includes outstanding income data recorded on independent billing and collection systems (both manual and computerised) held within and outside the finance function.

Why is this important?

Many services and activities of the Council are not without inherent risk of death, injury or financial loss to staff, Members of the public or external organisations. The Council needs to assess and log these risks and then decide how to cover them, i.e. take out insurance with an external provider or cover the risk itself by making payments from Council funds as and when claims are made. These procedures should be read in conjunction with the Council's Risk Management Strategy.

Risks:

The Council may be unable to meet large claims made against it, i.e. death or injury;
 The Council may be over insured, i.e. paying out higher premiums than it needs to; and
 The Council may not be aware of all risks and has not, therefore, taken steps to reduce them or their effect.

Responsibilities14.1. The **Head of Finance & Audit** shall

- Effect all insurance cover and negotiate all claims in consultation with other officers where necessary
- Ensure that all appropriate employees of the Council shall be included in appropriate fidelity guarantee insurance whilst carrying out duties directly connected with their employment as a Council officer.
- **Heads of Service** shall consult the **Head of Finance & Audit** and the **Monitoring Officer** regarding the terms of any indemnity that the Council is requested to give.
- Annually, or at such period as she/he may consider necessary, review all insurances in consultation with other **Heads of Service** as appropriate.

14.2. **Heads of Service** or their **Middle Managers** shall:

- Give prompt notification of all new risks, property, equipment or vehicles that require to be insured and of any alterations affecting existing insurances either to the **Head of Finance & Audit** or using a process approved by him/her to inform the Council's insurers;
- Ensure that all conditions of the Council's insurance policies that relate to their area of responsibility are adhered to.
- Immediately notify the **Head of Finance & Audit** in writing of any loss, liability or damage or any event likely to lead to a claim in connection with their service groups together with full supporting details, papers or subsequent explanation as required.
- To ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- Consult the **Head of Finance & Audit** and the **Monitoring Officer** regarding the terms of any indemnity that the Council is requested to give.

Inspections

- 14.3. Each **Head of Service** shall keep suitable records to ensure that the inspection of engineering plant under her/his control normally carried out by an insurance company is carried out by that company or nominated contractor within the periods prescribed by the Health and Safety at Work or other legislation.
- 14.4. In the event of failure by the Insurance Company or nominated contractor to carry out inspections within the prescribed periods the **Head of Finance & Audit** & Audit shall be notified immediately.

Claims

- 14.5. Any claim made against the Council for expenses or damages incurred, which may reasonably be expected to be covered by insurance should immediately be referred to the **Head of Finance & Audit**.
- 14.6. Policy premiums and any excess required to be paid in the claims process will be charged to the relevant service, as such premiums and excesses fall due.
- 14.7. Council employees or anyone covered by the Council's insurances must not admit liability or make any offer to pay compensation which may prejudice the assessment of liability in respect of any insurance claim.
- 14.8. It is the responsibility of the relevant **Head of Service** to ensure that appropriate insurance arrangements are made when undertaking work for third parties, in conjunction with the **Head of Finance & Audit** or her/his nominated representative.

Why is this important?

Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment then, as a general rule, they belong to the employer not to the employee. Various Acts of Parliament cover different types of intellectual property.

Risk

The Council may not benefit from activities undertaken within the Council which may give rise to items that may be patentable e.g. software development

Responsibilities

15.1. In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's approved intellectual property procedures.

Head of Finance & Audit

15.2. To develop and disseminate good practice and work with **Heads of Service** to ensure that maximum benefit for the Council is derived from development of intellectual property.

Heads of Service

15.3. To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An inventory is a prerequisite for sound asset management.

Risks:

Holders of equipment and furniture may be unaware that items have been lost or stolen without a record of all such items being on hand; and

The Council's insurers may reject claims to replace lost or stolen items if the Council cannot demonstrate that it maintains adequate inventory records.

Responsibilities

- 16.1. Inventories shall be kept in a form approved by the **Head of Finance & Audit**. These rules do not override any other statutory or regulatory reasons for maintaining an inventory.
- 16.2. Inventories of all property with a replacement value of greater than £100 (furniture, fittings, equipment, vehicles and plant) belonging to or in the care of the Council, other than stores, shall be prepared and maintained by the **Head of Service** concerned or an officer designated by her/him.
- 16.3. An inventory of all ICT equipment will be held by the ICT Section.
- 16.4. Each **Head of Service** shall:
- Nominate the officers who are responsible for compiling and maintaining the inventories of assets.
 - Arrange for the inventory to be checked at least annually with the physical assets and shall certify the inventory to that effect. The **Head of Finance & Audit** shall be advised of deficiencies revealed by these checks.
- 16.5. The original copy of an inventory that is to be re-written, for whatever reason, is to be retained until Internal Audit advise otherwise. Similarly, any input documents used for amending entries held in a computerised inventory system are to be held for inspection by Internal Audit, if requested.

Council Property

- 16.6. The **Head of Finance & Audit** or her/his representatives may at all reasonable times have access to the property of the Council and may make such checks and tests as she/he deems reasonable and necessary.
- 16.7. The Council's property shall not be removed unless in accordance with the ordinary course of the Council's business or as directed by the **Head of Service** concerned. All property belonging to the Council and recorded on an inventory shall be marked as Council property.

Why is this important?

Partnerships will play a key role in delivering services and community strategies and in helping to promote and improve the well-being of the area.

The Council is working in partnership with other Councils, public agencies, private companies, community groups and voluntary organisations, to bring together the contributions of the various stakeholders to deliver a shared vision of services based on user wishes.

The Council will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations.

Risks:

The objective of a proposed partnership may not be achieved;

A partnership arrangement may cost the Council more than an existing or singularly administered equivalent, or the quality of service may decline, or both; and

Important issues and problems are not addressed as roles and responsibilities were not clearly defined at the outset.

Responsibilities

17.1. The main reasons for entering into a partnership are:

- To generate efficiencies and cost savings;
- The desire to find new ways to share risk;
- The ability to access new resources;
- To provide new and better ways of delivering services;
- To forge new relationships.

17.2. A partner is defined as either:

- An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or
- A body whose nature or status gives it a right or obligation to support the project.

Members:

17.3. The Articles of the Council's Constitution confirm that the Council may enter into any joint arrangements including with one or more other local authority.

17.4. The **Resources Committee** for **West Devon** and the **Executive** for **South Hams** is responsible for approving frameworks for partnerships within the scope of their functions.

17.5. For **West Devon**, the **Overview & Scrutiny Committee** shall be responsible for the monitoring of partnership arrangements in accordance with the Council's Partnership Policy.

17.6. The **Head of Finance & Audit (S.151 Officer)** shall

- Give advice on effective controls and ensure that accounting arrangements are satisfactory.
- With the relevant **Head of Service** be guided by the checklist in the Council's approved Partnership Policy and Guidance, and the key elements of funding a project. This will include:
 - A scheme appraisal for financial viability in both the current and future years;
 - Risk appraisal and management;
 - Resourcing, including taxation issues;
 - Audit, security and control requirements; and
 - Carry-forward arrangements.
- With the **Monitoring Officer** must seek to ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. The overall corporate governance arrangements and legal issues must also be considered when arranging contracts with external bodies. All the risks should have been fully appraised before agreements are entered into with external bodies.

17.7. The **Head of Service** shall:-

- Ensure that any partnership that the Council enters into represents value for money i.e. the benefits outweigh the costs including officer time. The value for money should be continuously monitored on an ongoing basis.
- Ensure that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies;
- Adhere to the Council's approved Partnership Policy and Guidance, having regard to governance, risk management, information sharing, the Council's partnership register, and an annual evaluation of achievements and value for money.
- Maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the **Head of Finance & Audit**;
- Ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority;
- Ensure that an agreement exists in respect of each partnership and arrangements are properly documented and reviewed by the Council's Solicitor; and
- Provide appropriate information to the **Head of Finance & Audit** to enable a note to be entered into the Council's statement of accounts concerning material items.

17.8. **Partners** must:-

- If appropriate, and especially where this Council takes the lead, be aware of their responsibilities under the authority's Financial Procedure Rules, Contract Procedure Rules, and Partnership Policy unless separate governance arrangements, including the administration of financial matters, are adopted by each partner;
- Ensure that risk management processes are in place to identify, assess and monitor all known risks;
- Ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;

- Agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences; and
- Communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

Shared Services

17.9. The **Head of Finance & Audit (S.151 Officer)** will ensure that a framework exists for the recharging of costs incurred by one partner Council on behalf of the other, having regard to the:

- Moral and legal requirement that one Council's tax payers are not subsidising the costs of the others:
- Principle accepted by Members that partner Council's do not incur excessive costs in establishing the value of recharge due, although the recharge must be transparent and supportable to ensure its acceptability to the Councils' external auditors.

17.10. The **Heads of Service** and **Middle Managers** must ensure that:

- Their managers are aware that they are responsible for the recharging of costs incurred and must consider budget implications of using employees of the shared Council before deciding where a shared resource is deployed. In each case focus needs to be on who will benefit from the expenditure (and therefore who should bear the cost of the work).
- Budgets must not be used to fund another authority's costs even where they have a budget shortfall.
- All recharges must be transparent and robust with a clear audit trail and a clear basis for recharge
- Should tasks be undertaken by an officer in one Authority on behalf of both, clear parameters need to be set to ensure that there is no duplication

17.11. The lead officer must check the VAT and insurance implications of any proposed new shared services working arrangements with Corporate Finance well before they are due to start.

17.12. Officers must always be thinking about shared services and whether any of their work needs to be recharged (on a regular or ad hoc basis).

PAYMENTS to EMPLOYEES and MEMBERS (PAYROLL) Section 18

Why is this important?

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by the full Council.

Risks:

Employees may be paid incorrectly;
Payments may be made to fictitious employees; and
Action could be taken against the Council by external agencies for failing to abide by statutory requirements in the employment and remuneration of employees.

Responsibilities

18.1. The payment of all salaries, wages, gratuities, compensation and other emoluments to employees or to former employees shall be made by the **Head of Paid Service through the Head of Corporate Services**, including those powers set out in the Scheme of Delegation. These officers are responsible for advising on areas such as income tax, national insurance and pension contributions.

18.2. The **Head of Corporate Services** will:

- Ensure that adequate and effective systems and procedures are operated, so that:
 - payments are only authorised to bona fide employees;
 - payments are only made where there is a valid entitlement;
 - conditions and contracts of employment are correctly applied;
 - employees' names listed on the payroll are checked at regular intervals;
 - to verify accuracy and completeness with **Heads of Service**.
- Control, make accurate and timely payment and account for national insurance, income tax and pension and the maintenance of related records;
- With the **Head of Finance & Audit**, frequently reconcile payroll expenditure against approved budgets.
- Ensure that checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy
- Notify the **Head of Paid Service** and the **Head of Finance & Audit** as soon as possible of changes in remuneration, other than normal increments and pay awards and agreements of general application

Heads of Service

18.3. Each **Head of Service** shall:

- Ensure appointments are made in accordance with the rules of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- Notify the **Head of Corporate Services** as soon as possible and in such form as the **Head of Corporate Services** may prescribe of:-

PAYMENTS to EMPLOYEES and MEMBERS (PAYROLL) Section 18

- appointments, resignations, dismissals, suspensions from duties and transfers;
- absences from duty for sickness or other reasons apart from approved leave;
- changes in rate of remuneration (other than normal increments); and
- information necessary to maintain records of service for superannuation, income tax, national insurance and the like.
- such other information as may be required by the **Head of Corporate Services** in connection with the calculation and payment of salaries, wages, compensation and other emoluments to the employee.
- Ensure the payment of salaries and wages at the proper time such documents as are required for data processing are to be submitted in accordance with a timetable.
- To ensure that the **Head of Corporate Services** and the Finance & Audit is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

Appointment

- 18.4. Appointment of employees will be made in accordance with the establishment and rates of remuneration approved by the Council.
- 18.5. The **Head of Corporate Services** (and any officer who may be appointed to carry out duties in connection with remuneration or establishment) will be consulted in connection with any proposal to seek approval from the Senior Management Team for any appointment outside the approved establishment and rates of remuneration. .
- 18.6. In applying scales of salaries and wages, and in relation to other remunerations the **Head of Service** will consult with the **Head of Corporate Services**.
- 18.7. Upon the appointment of any member of staff, each **Head of Service** will provide the **Head of Corporate Services** with the relevant payroll starter letters and forms, plus information necessary to maintain records of service, pensions, income tax and national insurance liability etc may prescribe on a timely basis.
- 18.8. The **Head of Corporate Services** will maintain personal files for all new and existing employees and will complete pension documentation as required, in accordance with the Local Government Pension Scheme.

Appointment – Self Employed Status

- 18.9. To ensure that payroll transactions are processed only through the payroll system, **Heads of Service** should give formal consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis by completing the HMRC employment status checklist.
- 18.10. The Inland Revenue applies a tight definition for employee status, and the Head of Finance & Audit and the **Head of Corporate Services must be advised of all appointments.**

Time and Other Amendment Records

PAYMENTS to EMPLOYEES and MEMBERS (PAYROLL) Section 18

- 18.11. All time records and other amendments to payroll data shall be in a form approved by the **Head of Corporate Services**.
- 18.12. All time records and other amendments will be certified by or on behalf of the **Head of Service** concerned. A list of officers authorised to sign such documents will be sent to the **Head of Corporate Services** together with specimen signatures.
- 18.13. All amendments to the authorised signatory list will be notified to the **Head of Corporate Services** in writing. Documents will be signed in manuscript in the authorised officer's own name.
- 18.14. All time records and other amendment pay sheets will be signed by the employee making the claim.
- 18.15. Electronic mailing or facsimiles are not a suitable media to notify the Head of Corporate Services of time or other amendments that result in payment or deductions from pay, other than in urgent cases when followed up with a signed original document.
- 18.16. Retention of documents must comply with statutory Inland Revenue, DwP and Pension requirements.
- 18.17. Each **Head of Service** will be responsible for keeping adequate records of annual leave, sickness or other absences of employees within her/his service group.

Payment

- 18.18. Payments will be calculated by the **Head of Corporate Services** in accordance with the information provided, the relevant Conditions of Service, and statutory payroll legislation.
- 18.19. Payment will be by BACS for all employees. Bank details must be provided by employees in writing.
- 18.20. Pay advices will be despatched to the relevant department where a designated officer will be responsible for their distribution. Any undelivered pay advices must be returned to the **Head of Corporate Services** not payroll officers (contributes to separation of duties in a small team).
- 18.21. Payment of salaries and wages in advance will not be made except in the case of persons leaving the service of the Council before the day on which their salary or wage would normally be paid or at the discretion of the **Head of Corporate Services**.

Absence

18.22. Managers or their authorised officers are responsible for ensuring records of all absences including holidays, sickness, unpaid and other leave are maintained and monitored, and for notifying the Head of Corporate Services of the same.

In addition, for periods of unpaid and unauthorised leave, immediate written notification to the **Head of Corporate Services** is required.

Leavers

18.23. The relevant **Head of Service** will notify the **Head of Corporate Services** immediately by completion of a Leaver's Form, of all resignations, dismissals, redundancies or retirements. On receipt of the Leaver's Form the **Head of Corporate Services** will calculate and initiate the final payment, and where applicable, forward the necessary pension documentation, to the administering Authority.

Pay Awards

18.24. The **Head of Corporate Services** will be authorised to implement any nationally agreed salary or wage award and will report to the appropriate member body on the financial implications of any pay award affecting employees of the Council.

Verification

18.25. The names and grades of all employees listed on the payroll shall be annually checked and signed as correct by the appropriate **Head of Service** to verify the accuracy of the payroll records.

Members Allowances

18.26. The **Monitoring Officer** will advise the **Heads of Corporate Services and Finance & Audit** promptly of the Members' allowances agreed by the Council in the Scheme of Member Allowances. Payments made to Members will be through the payroll and will be subject to the same financial control requirements as those made to officers.

Staffing

18.27. The **Head of Paid Service** is responsible for providing overall management to staff. He/she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

18.28. The **Head of Corporate Services**, with the **Head of Finance & Audit**, shall ensure:

- That the budget provision exists for all existing and new employees.
- The staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

18.29. **Heads of Service** shall:

- Monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- Ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- Ensure that the **Head of Finance & Audit** is immediately informed if the staffing budget is likely to be materially over- or under-spent.

Why is this important?

The Council grants thousands of people millions of pounds in benefits to assist them in paying their rent and/or Council Tax bills. The Housing Benefit scheme is complex, requires people to declare both personal and financial details and is, as a result, open to error and abuse. This being the case the assessment, calculation and payment of claimants needs to be carefully controlled.

Risks:

Benefit could be paid to fraudulent claimants;
Personal domestic and financial details relating to a claimant could be disclosed without authority to do so; and
Benefit entitlement could be incorrectly calculated.

Responsibilities

19.1. The **Head of ICT & Customer Services** shall be responsible for the procedures, assessment and payment of benefit. He/she shall ensure that periodic checks on the calculations and the entitlement for benefit in selected cases are carried out.

Personal Data/Declaration of Interest

19.2. All records and files of personal information relating to claims and the calculation of entitlement to benefit are to be held under arrangements that will prevent access by unauthorised persons.

19.3. Any information gained in the assessment and payment of benefit shall not be divulged by any member of staff to persons not authorised to receive that information. Any person seeking information on behalf of another must provide satisfactory evidence that they are authorised to do so within the confines of the Data Protection Act.

19.4. Any members of staff with a personal interest in a benefit claim shall notify their manager in writing and have no part in the assessment or payment of that claim.

Payment – BACs

19.5. Benefit payment will be made by BACS whenever possible. All bank details to enable payment will be amended by benefits staff only on receipt of official notification in writing from the claimant. For landlord payment to companies, written details of bank account changes will be subsequently verified direct with the company.

Payment - Cheques

19.6. All cheques in payment of benefit shall be crossed and opening of those cheques will not be permitted. Alternative arrangements will be made by the Head of Customer Services to allow claimants to cash cheques with the appropriate identification. All benefit cheques returned to the Council, whether by hand or by post, shall be passed immediately to the Cashier and cancelled. The Benefits team and accountants are, however, to be promptly notified that any such cheques have been returned.

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies, even in respect of low value purchases. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

Risks:

Cash may be stolen, lost or borrowed without due authority; and
Expenditure may be poorly controlled with little comparison of costs.

Responsibilities

- 20.1. The **Head of Finance & Audit** may advance a fixed imprest to an officer of the Council for petty cash expenditure. Each imprest shall be of such amount as the **Head of Finance & Audit** may determine in consultation with the **Head of Service**. A centralised imprest should be used wherever this is practical, and the principles of these rules apply equally to it.
- 20.2. Following certification of receipt, officers holding petty cash take personal responsibility for the custody of cash until such time as another authorised officer formally takes over responsibility for the money.

Expenditure

- 20.3. Petty cash items shall be limited to minor non-recurring items of expenditure and shall not exceed in the case of each individual item, the sum prescribed by the **Head of Finance & Audit** of £30. This amount may only be exceeded with the prior agreement of the **Head of Finance & Audit** or his/her nominated Deputy.
- 20.4. None of the following items of expenditure shall be paid out of petty cash:-
- Travelling and subsistence expenses of officers, including car park and ferry/bridge crossings;
 - Postages, except where a small supply of stamps is held for a specific purpose agreed by the **Head of Finance & Audit**; and
 - Stationery.
- 20.5. No personal cheques are to be encashed via petty cash, nor personal loans made.
- 20.6. Where petty cash disbursements are made for goods that include VAT, a VAT invoice or receipt must be obtained.
- 20.7. Any claim for petty cash shall be recorded on an official petty cash voucher. The voucher is to be signed by the officer making the claim and attached to a suppliers payment receipt.

20.8. The holder of the petty cash imprest shall check the claim to ensure that the item is for work use, the amount claimed matches the receipt and that it is correctly coded for both financial management and VAT purposes.

Reimbursement

20.9. Petty cash imprests shall be reconciled and balanced (vouchers to cash balances) on a regular basis (monthly is recommended) or when handed to another officer to administer. Every officer holding a petty cash imprest shall certify to Corporate Finance the amount of the imprest as at 31 March each year.

20.10. Receipts and vouchers for petty cash disbursements shall be forwarded to Corporate Finance with the claim for reimbursement. A claim for reimbursement must also be made as close to the 31st March annually as is practical.

20.11. The claim shall be certified as correct by the **Head of Service** or such person nominated by her/him for that purpose.

General

20.12. No income is to be paid into petty cash.

20.13. Cash income or change floats are not to be used as petty cash in any circumstances.

20.14. Floats and vouchers shall be held securely and access restricted to authorised officers.

20.15. The Finance team must be advised of any significant variances, above £30, identified by the reconciliation of the petty cash float.

20.16. On leaving the Council's employment or otherwise ceasing to hold an imprest advance, an employee shall account to Corporate Finance for the amount advanced to her/him. Under no circumstances should the petty cash be banked as income, instead it should be coded to the relevant petty cash code supplied by Corporate Finance. On change of custody of the float it should be counted by both officers and a signed record of the balance held.

20.17. Cash balances and vouchers shall be available for inspection by internal audit officers at any time.

20.18. The officer responsible will provide the **Head of Finance & Audit** with a certificate of the value of the account held at 31st March each year.

Centralised Imprest - Petty Cash Advances

- 20.19. Advances of cash up to £30 from the Customers Services may be made with the prior authorisation of an authorised signatory upon completion of a 'Cash Advances' form. The name of the person to whom the advance is to be issued and that of the issuing officer together with the date of issue and the amount shall be recorded on the form.
- 20.20. Receipts shall be kept in respect of purchases made using the cash advance. These, together with any residual balance shall be paid back into the Customers Services within 2 working days of the original advance being issued. The balance of any residual cash plus the value of the receipts shall agree to the amount originally issued.
- 20.21. The Cashier shall check the receipts and ensure that a coding slip is completed to ensure that the FMS system is updated with the expenditure incurred.

Why is this important?

Maintaining proper accounting records is one of the ways in which the authority discharges its responsibility for stewardship of public resources.
A complete and accurate audit trail is the key mechanism underpinning the control environment.

Risks:

The External Auditor may not be able to provide an adequate assurance that the Councils accounts present a true and fair view;
Statutory obligations concerning the retention of key documents may not be met, e.g. VAT, PAYE;
Court action could fail due to the loss of prime documents; and
Performance statistics cannot be verified.

Responsibilities

- 21.1. In conjunction with the **S.151 Officer (Head of Finance & Audit)**, the **Monitoring Officer** shall create, maintain and make available a Records Management Policy and Records Retention Policy to all staff.
- 21.2. **Heads of Service** shall ensure that their staff retain adequate records in line with statutory requirements and internal policies to provide a management and audit trail. This shall include making staff aware of and follow guidance set out in the Records Management Policy and Records Retention Policy.
- 21.3. It is the responsibility of all officers and Members to ensure the security of any retained documents in line with the Data Protection Act and these Rules

RISK MANAGEMENT, INTERNAL CONTROL, GOVERNANCE Section 22

Why is this important?

All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

Risks:

The Council may be unable to meet large claims made against it, i.e. death or injury;
The Council may be over insured, i.e. paying out higher premiums than it needs to; and
The Council may not be aware of all risks.

Responsibilities

Risk Management

- 22.1. It is the overall responsibility of the Council to oversee the Council's Risk Management Policy, and to promote a culture of risk management awareness throughout the Council.
- 22.2. The Council will be assisted in this by the **Audit Committee** who will monitor the effectiveness of the Council's risk management process on a regular basis.
- 22.3. On a six monthly basis a the **Head of Finance and Audit** will provide update reports to the **Audit Committee**.
- 22.4. The Senior Management Team will comprehensively review the Corporate Risks on a quarterly basis.
- 22.5. As part of the System of Internal Control **Heads of Service** will set the operational objectives for their service each year linked to corporate objectives; identify the risks to achieving those objectives and the controls to mitigate these risks. In addition, the risks deriving from the 'Blueprint' objectives must also established and recorded I the Council's risk registers.
- 22.6. **Heads of Service** shall:
- Identify and quantify risks and potential liabilities;
 - Ensure awareness among all levels of staff with regards to the control of risk;
 - Ensure that all significant risks and potential liabilities are addressed;
 - Ensure that the appropriate decisions are taken on the acceptable level of retained risk; and
 - Regularly review the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.

RISK MANAGEMENT, INTERNAL CONTROL, GOVERNANCE Section 22

22.7. Managers are responsible for managing the day to day risks.

Corporate Risk Management Group

22.8. The **Head of Finance and Audit** will co-ordinate a quarterly meeting of a Corporate Risk Management Group. The Group will include the **Chief Internal Auditor**, the Risk and Health & Safety Adviser, Insurance Officer and Legal Officer and where necessary **Heads of Service** and **Middle Managers**.

22.9. The Corporate Risk Management Group will ensure that the Council's risk register reflects the risks identified by **Heads of Service**.

22.10. **Heads of Service** are also responsible for identifying significant changes in risk for their service and must ensure that the Risk Management Group is advised on a timely basis.

22.11. The Risk Management Group will drive the implementation and embedding of risk management, and contribute to the maintaining of the Council's risk registers.

22.12. Internal Audit will review the risk management process on an annual basis and report the results to the Risk Management Group in addition to normal reporting lines.

22.13. The risk management framework links with the Council's System of Internal Control and Code of Corporate Governance, all of which form part of the assurance streams that enable the Council to publish an annual governance statement as required by the Accounts and Audit Regulations (backed by Statutory Instrument)

Internal Control (System of)

22.14. The Council is responsible for maintaining a System of Internal Control – setting of objectives, identification of risk and controls to mitigate the risks.

22.15. The Council will also be responsible for conducting a review at least once a year of the effectiveness of internal control and shall prepare a statement (the Annual Governance Statement), in accordance with proper practices, for publication with the Council's published annual accounts.

22.16. The **Audit Committee** will act as the nominated member body to examine the draft statement and supporting evidence and recommend approval.

22.17. **Heads of Service** are to manage system processes to ensure that established controls are being adhered to and to evaluate their effectiveness in order to be confident in the proper use of resources, achievement of objectives and management of risks.

RISK MANAGEMENT, INTERNAL CONTROL, GOVERNANCE Section 22

22.18. The **S.151 Officer** will advise on the systems of control devised by managers and co-ordinate the management group with responsibility for drafting the statement, evaluating assurances and supporting evidence in respect of:

- Performance Management
- Internal Audit
- External Audit
- Heads of Service
- Monitoring Officer
- Risk Management Group
- Corporate Governance

Systems Changes - Direct or Indirect Financial Nature

22.19. The **Head of Finance & Audit** shall be informed of the creation, amendment or removal of systems of a financial nature or where decisions arising from the use any system have a financial consequence.

22.20. The requirements set out in the Council's Data Quality Strategy shall also be adhered

Corporate Governance

22.21. The Council is responsible for approving the Council's Code of Corporate Governance.

22.22. The principle of the Code will be openness, integrity and accountability and will cover the areas required by CIPFA/Solace, which at the date of these Financial Procedure Rules include:

- Purpose of the Council and outcomes for the community
- Members and officers with clearly defined functions and roles
- Upholding high standards of conduct and behaviour
- Informed decision making, effective scrutiny, & risk management
- Developing the capability of Members and officers
- Engaging with local people and other stakeholders

22.23. Direct responsibility for the monitoring of compliance with the principles and elements of corporate governance and the requirements of the Code are placed with the Council's **S.151 Officer**, **Monitoring Officer** and **Chief Internal Auditor**.

22.24. These officers, through Internal Audit, will therefore:

- Test the code annually and the results of the monitoring and testing will be reported to both the **Audit Committee** as required by the Constitution.
- Prepare a statement, in accordance with proper practices, for publication with the Council's published annual accounts.

Performance Management/Data Quality

22.25. The **Head of Finance & Audit** shall:

- Advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- Contribute to the development of corporate and service targets and objectives and performance information.
- Ensure that systems are in place to measure activity and collect accurate financial information for use in performance indicators.

22.26. **Heads of Service** shall:

- Contribute to the development of performance plans and the Financial Strategy in line with statutory requirements.
- Contribute to the development of corporate and service targets and objectives and performance information.
- Ensure that robust systems exist for the collection and monitoring of performance information.

Business Continuity

22.27. The Civil Contingencies Act 2004 requires the Council as a Category 1 responder to put in place business continuity arrangements to ensure that in the event of an emergency it can continue to exercise both its civil protection functions and perform its ordinary functions.

22.28. The Council has identified business continuity as a strategic risk.

22.29. In addition business continuity will require a separate but similar risk management strategy and process. A separate Business Continuity Planning Group must meet with operational links between it and the Corporate Risk Management Group.

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations.

Risks:

Cash and other assets could be lost, stolen or misused; and
Claims against the Council's insurers may be invalidated.

Responsibilities**23.1. Each Head of Service:**

- Is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc. under her/his control;
- Shall consult the **Head of Finance & Audit** in any case where security is thought to be defective or where it is considered that special security arrangements may be needed;
- Must ensure that attractive and portable items are to be identified with security markings as belonging to the Council and recorded.
- Must ensure that cash holdings shall be kept to a minimum and at a level agreed with the **Head of Finance & Audit**. They shall not exceed insurance cover.
- To ensure that no Council asset is subject to personal use by an employee without proper authority;
- Or the designated deputies shall ensure that staff leaving the authority hand back any keys or assets held by them prior to their departure. Door entry systems combinations and safe combinations etc. shall be changed on the day of departure.

23.2. All staff are to ensure that all windows, cabinets, safes and drawers are locked in any location wherever cash or keys are held out of hours.

23.3. Employees of the Council responsible for collecting, holding and the paying-in of official cash are to ensure that it is held under secure arrangements at all times.

Safes

23.4. Members of staff who are authorised to gain access to any Council safe must not allow the keys or combination access codes to pass from their control or to be available to unauthorised persons at any time.

23.5. The loss of any such keys must be reported to the **Head of Finance & Audit** immediately. The combination of any Council safe must not be disclosed to another person without the express authorisation of the **Head of Service** or relevant manager. The combination of a safe must be changed immediately when a member of staff, who is authorised to open that safe, leaves the employment of the Council.

23.6. All keys held for any official purpose by an authorised member of staff shall be held under proper and secure arrangements and not passed or be available to any unauthorised person. (This regulation includes card keys and door entry codes issued to members of staff).

Postal Franking Machines

23.7. Postal franking machines must also be securely held, and officers responsible will keep proper records of usage and certify the balance of impressions held in the machine at the 31st March each year. The certificate is to be forwarded to the **Head of Finance & Audit** promptly. Stocks of postage stamps shall also be held securely.

ICT Software and Hardware

23.8. Security of computer software, hardware and related vulnerable equipment are covered by a separate Council ICT Security Policy which is the responsibility of the **Head of ICT and Customer Services**, and all staff should make themselves aware of the requirements on them with regard to safeguarding the Council's computer systems.

Data – Electronic/Paper Based

23.9. All **Heads of Service** shall ensure that their employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, including the requirements of the Data Protection Act, whether held in manual or computerised records.

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date stock record, assets register and inventory is a prerequisite for sound asset management.

Risks:

Stocks and stores could be lost or stolen; and
Stocks and stores may be held at unreasonably high and uneconomic levels.

Responsibilities

- 24.1. Each **Head of Service** shall make arrangements for the care and custody of stocks and stores in their service. She/he shall ensure that stocks are maintained at reasonable levels and are subject to a regular independent physical check (being a minimum of once a year). All discrepancies should be investigated and pursued to a satisfactory conclusion.
- 24.2. Designated officers are to maintain accurate records of all receipts and issues in a form agreed by the **Head of Finance & Audit**. All requests for stores and materials must be made to the officer responsible for the control and issuing of those stores and materials.
- 24.3. The relevant **Head of Service** will arrange to investigate and remove from the Council's records (i.e. write-off) discrepancies as necessary, and to obtain the relevant approvals for write off and disposal of redundant stocks and equipment in line with the limits below

Stock Control and Issues

- 24.4. All stocks will be recorded in a stock control record in a format agreed by the **Head of Service** in association with the **Head of Finance & Audit**.
- 24.5. Stock items are only to be issued to persons authorised to receive those materials. Requisition notes or equivalent documents approved by the **Head of Finance & Audit** are to be used bearing the signature of the appropriate authorised receiving officer.

Stock Takes

- 24.6. **Heads of Service** shall arrange for stock takes to be carried out at a frequency agreed with the **Head of Finance & Audit** but at least once in every financial year, at financial year end. Where continuous stocktaking arrangements are operating, this will not apply.
- 24.7. All discrepancies should be investigated and pursued to a satisfactory conclusion. Stock taking sheets must clearly show surpluses and deficiencies and should be retained with all related system documentation.
- 24.8. Random stock checks may also be carried out by Internal Audit.

24.9. Whenever a storekeeper or person in charge of stores hands over, leaves or ceases to have custody of the stores, the **Head of Service** shall ensure that a prior check is made of the stores concerned and that a handing over certificate is signed by the outgoing and incoming officers, i.e. agreement of volumes, numbers etc. as at the handover date.

Stock Certificates

24.10. The **Head of Service** or his/her nominated Deputy shall certify the quantities and values of stocks at cost price held by her/him at 31st March each year and forward this with a summary of the stock control system to the **Head of Finance & Audit**.

24.11. Where appropriate, the **Head of Finance & Audit** shall arrange for stock control systems to be reconciled to the Council's accounts regularly at an appropriate frequency, and annually at 31st March as a minimum.

Surpluses, Deficiencies and Write Offs

24.12. Any significant surpluses or deficiencies revealed in any items of stock at any stocktaking shall be reported immediately to the **Head of Service** or her/his Deputy and write offs arranged with the **Head of Finance & Audit**.

24.13. Items that are surplus to the Council's requirements shall only be disposed of as follows:

Item Value ex VAT	Stock Deficiencies and Obsolete Stock
Up to £500	Stocks or stores of less than £500 in value at date of disposal may be disposed of or exchanged at the relevant Middle Manager's written discretion, but a second officer shall formally witness the disposal at a local level and the appropriate financial records retained.
£500 to £1,500	Stocks or stores with a value at date of disposal between £500 and £1500 may be disposed of or exchanged at the Head of Service's written discretion, but a second officer shall formally witness the disposal at a local level and the appropriate financial records retained.
£1,500 to £5,000	Where stocks or stores are valued at date of disposal above £1500 but less than £5,000 sealed bids are to be sought and it shall be the responsibility of the Head of Finance & Audit and the relevant Head of Service or their nominated deputy to obtain the best possible price.
Above £5,000	The disposal or write off of any stock or stores item/s valued at more than £5,000 at date of disposal shall require the prior approval of the Executive/Relevant Committee .

Why is this important?

Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is, therefore, very important for all officers to be aware of their role.

Risk

Risk that the statutory rules on taxation are broken, with the potential for the Council to incur penalties in addition to the amounts due.

Responsibilities

25.1. The **Head of Corporate Services** will ensure:

- Completion of all HMRC returns regarding PAYE in line with the statutory deadlines;
- That all payroll related taxable transactions are identified properly carried out and accounted for within stipulated timescales;
- Records are maintained in accordance with instructions
- Up-to-date guidance on PAYE issues is made available to the Council's managers and employees.

25.2. The **Head of Finance & Audit** will arrange for:

- A monthly return of VAT inputs and outputs to Her Majesty's Revenue and Customs (HMRC) in line with statutory deadlines;
- A regular calculation to establish the Council's position against the HMRC's VAT de minimis requirements;
- Details regarding the construction industry tax deduction scheme to be sent to the HMRC as required by the guidelines.
- Up-to-date guidance on VAT issues to be made available to managers and relevant Council employees.

25.3. **Heads of Service** will ensure that:

- The correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- Where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- All persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are employed by a recognised staff agency.

If, in exceptional circumstances, a **Head of Service or Middle Manager** considers it beneficial to recruit a self employed individual, checks must be carried out on their employment status using the Council's or HMRC's checklist. The completed checklist must be sent to the **Head of Corporate Services** before any payment of an invoice is generated. Under no circumstances should a payment be generated through a payment request form i.e. not supported by an invoice.

Why is this important?

In the course of their duties officers and Members may be required to work away from their normal place of work, attend seminars, training days, etc. The officer/Member should be reimbursed for their travel and associated costs at agreed rates and in accordance with agreed procedures. In so doing the officer receives what is due to them and the Council has an acceptable record of what is claimed and by whom.

Risks:

Fraudulent claims may be made, i.e. fictitious journeys, embellished claims, incorrect rates etc. Claims could be paid twice or at the wrong rates; and Financial and accounting records are not correctly updated.

Responsibilities**Head of Corporate Services:**

26.1. All claims for payment of travelling and subsistence shall be in a form approved by the **Head of Corporate Services**, and will in normal circumstances be made through salaries in accordance with the Council's approved **Travel and Subsistence Policy** (available on the Council's Intranet)

Claim Completion and Certification

26.2. Claims for travel and subsistence shall only be made where journeys were authorised and expenses were properly and necessarily incurred. All claims shall be completed fully to the satisfaction of the **Head of Corporate Services** and in accordance with the Council's approved Travel and Subsistence Policy.

26.3. All claims for travelling and subsistence shall be signed by the claimant and authorised by or on behalf of the appropriate **Head of Service**.

26.4. A list of officers authorised to sign claims shall be sent to the **Head of Corporate Services**. All amendments to the list shall be notified to the **Head of Corporate Services** in writing. The claims shall be signed in manuscript in the authorised officer's own name. Claimants may not authorise their own claim.

26.5. The certificate by or on behalf of the **Head of Service** shall mean that the journeys were authorised and that the manager is satisfied that expenditure was necessarily incurred on travel and subsistence for which the proper allowances have been claimed, ensuring that cost-effective use of travel arrangements is achieved.

26.6. Petty cash must not be used for any travel or subsistence related expenses by officers or Members.

Receipts

26.7. If a receipt is not attached an explanation of the circumstances may be called for by Internal Audit. In any event, where no receipt is supplied, the expense claimed must be treated as a taxable item.

26.8. In addition, a VAT receipt for petrol must be attached to cover the VAT element claimed for car mileage. This is a requirement of HM Revenue and Customs, if the Council is to reclaim the VAT paid to the employee. As a result, if no VAT receipt is supplied, the Council cannot pay the VAT element to employees.

26.9. Credit card slips are not acceptable in lieu of other forms of receipt.

Timeliness of Claim

26.10. All claims for payment to employees of car allowances (including leased cars), subsistence allowances, travel and incidental expenses must be submitted with all relevant receipts on a monthly basis in accordance with the Council's approved Travel and Subsistence Policy.

Motor Insurance, Driving Licences and Vehicle Roadworthiness

26.11. In accordance with the Travel and Subsistence Policy, all employees undertaking official business travel shall ensure they hold an appropriate driving licence for the class of vehicle being used and that the vehicle is taxed, has a valid MOT certificate where appropriate and is covered by an adequate Motor Insurance Policy which includes clauses covering Business Usage. Payroll will annually request officers to provide their driving licence, MOT certificate and insurance certificate for inspection by their line manager.

Council Members

26.12. Members' signed travel claims will be certified by the **Democratic Services Manager** or a duly authorised officer on her/his behalf and must be submitted on a monthly basis to the **Head of Corporate Services** in line with the approved Scheme of Members' Allowances.

Why is this important?

Many millions of pounds pass through the Council's accounts each year. This led to the establishment of Codes of Practice for Treasury Management. These aim to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's financial position.

Risks:

Money invested by the Council could be lost giving rise to the Council facing serious financial difficulty and/or failure to achieve its objectives;
Funds could be misused by a member of staff for their own ends, resulting in a loss to the Council;
Money could be borrowed or lent by the Council at less than advantageous interest rates thereby incurring higher than necessary expenditure or foregoing investment income; and
The Council could fail to repay money borrowed on time thereby having penalties invoked against it.

Responsibilities

- 27.1. The Council has adopted the Revised Code of Practice for Treasury Management in Local Authorities (published by CIPFA) and these rules should be adhered to as a matter of principle.
- 27.2. This will be the responsibility of the **Head of Finance & Audit** and include presentation to Members of a strategy and related policies setting out the approach to managing the risk of the Treasury Management activities.
- 27.3. The **Head of Finance & Audit** will also ensure that the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement and Strategy and the Council's Investment Strategy. The Strategy would take account of any proposed borrowing under the Prudential Code.

Cash Position

- 27.4. The **Head of Finance & Audit** shall arrange for a nominated officer to assess the cash position each working day to determine the funds to be invested, recalled or borrowed as necessary. The nominated officer shall prepare a Daily Cash Position Statement which is to be signed by an authorised officer on the day of preparation.
- 27.5. The **Head of Finance & Audit** shall be authorised to invest or utilise such surplus monies of the Council as may seem to her/him proper and in the Council's interest, within the approved Council Policy.

Investments

- 27.6. All investments of money under its control shall be made in the name of the Council, or in the name of nominees approved by the Council.

27.7. All securities in the name of the Council and the title deeds of all property in its ownership shall be held in the custody of the Council's Solicitor. The **Head of Finance & Audit** will act as registrar of stocks, bonds and mortgages and maintain records of all borrowing by the Council.

Borrowing

27.8. All borrowing shall be made in the name of the Council.

27.9. The **Head of Finance & Audit** shall:

- Negotiate all loans of money to the Council (including overdrafts) within the Council's overall borrowing powers;
- Be the Council's registrar of stocks, bonds and mortgages;
- Maintain a record of all borrowing of money by the Council;
- Borrow at the most advantageous rates and terms possible; and
- Ensure that the Council's aggregate credit limit is monitored and at no time exceeded.

27.10. The **Head of Finance & Audit** shall prepare a report prior to the commencement of each financial year for the Council to consider and then set the borrowing limits for the ensuing year.

General including Monitoring

27.11. **Heads of Service** must ensure that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the **Head of Finance & Audit**.

27.12. It is the responsibility of relevant **Head of Service** to ensure that loans are only made to third parties where specific member approval is obtained, such as loans to social, cultural and sporting organisations etc.

27.13. A detailed weekly statement of lending (or borrowing) transactions including the closing balances lent (borrowed) shall be prepared by a nominated officer and presented to the **Head of Finance & Audit** or Chief Accountant.

27.14. The **Head of Finance & Audit** shall report at least three times a year on treasury management activities to the **Executive at South Hams** (Strategy, Monitoring and Annual Reports), and the function may be scrutinised by the **Audit Committee**.

27.15. For **West Devon**, the Strategy and mid year Monitoring Report will be taken to the **Resources Committee** and an annual report to the **Audit Committee** and Council

27.16. Interests must not be acquired in companies, joint ventures or other enterprises without the approval of the full Council, following consultation with the **Head of Finance & Audit**.

Trust Funds

- 27.17. All trust funds shall wherever possible be in the name of the Council.
- 27.18. All officers acting as trustees by virtue of their official position shall deposit all securities, etc. relating to the trust with the **Head of Finance & Audit**, or **Monitoring Officer** as appropriate, unless the deed otherwise provides.
- 27.19. It is the responsibility of **Heads of Service** to arrange, where funds are held on behalf of third parties, for their secure administration, and to maintain written records of all transactions as approved by the **Head of Finance & Audit**.
- 27.20. **Heads of Service** must also ensure that trust funds are operated within any relevant legislation including the expectations of the Charity Commission, and the specific requirements for each trust.

Why is this important?

Current legislation enables the Council to provide a range of services to other bodies, but within certain parameters. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be put in place to ensure that any risks associated with this work is minimised and that such work is within the Council's legal powers.

Risks:

Internal resources are tied up in providing external users a service with a resulting detrimental effect on the internal service provision; and
The Council could be held liable for uninsured actions of its staff.

Responsibilities**Approval**

28.1. The **Executive at South Hams** and relevant **Committee at West Devon** are responsible for approving the contractual arrangements for any work for third parties or external bodies.

Legality

28.2. The relevant **Head of Service** must ensure that any work carried out for third parties is not outside the Council's powers by formally seeking the opinion of the Council's **Monitoring Officer** before such an arrangement is entered into.

Financial Matters

28.3. The **Head of Finance & Audit** shall issue guidance on the financial aspects of providing third parties with services and in the maintenance of a contracts register.

28.4. The relevant **Head of Service** must ensure that:

- Proposals are costed properly in accordance with the guidance provided by the **Head of Finance & Audit**;
- No contract is subsidised by the Council;
- Appropriate insurance arrangements are made;
- The Council is not put at risk from any bad debts;
- Wherever possible, payment is received in advance of the provision of the service;
- The **Head of Finance & Audit** is provided with the appropriate information to enable a note to be entered into the statement of accounts; and
- Information held or assets owned by the Council is/are not used to the detriment of the Council.

Contracts

28.5. The relevant **Head of Service** must ensure that:

- Contracts are drawn up using guidance and advice provided by the Council's Solicitor and **Head of Finance & Audit** and that the formal approvals process is adhered to;
- All contracts are properly documented and that the documentation is kept up to date; and
- A register is maintained of all contracts entered into with third parties in accordance with the procedures specified in the Contract procedure Rules, including providing the **Monitoring Officer** with the original..

Service Provision

28.6. The relevant **Head of Service** shall also ensure that:

- The service has the appropriate expertise to undertake the contract; and
- The delivery of the contract will not adversely impact upon the services provided for the Council.

NOT FOR PUBLICATION

EXEMPT INFORMATION – Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information). Note that ‘person’ may include a corporate body.
(Applies to all Appendices)

SOUTH HAMS DISTRICT COUNCIL

NAME OF COMMITTEE	Audit Committee
DATE	3 April 2014
REPORT TITLE	Strategic Risk Assessment - 6 monthly update
Report of	Head of Finance and Audit
WARDS AFFECTED	All

Summary of report:

In accordance with the Joint Risk Management Policy adopted by South Hams District Council on 10 May 2012 and by West Devon Borough Council on 17 May 2012, this report provides the required 6 monthly update to Members. The report includes the current corporate strategic risk assessment and a summary of the management and mitigation actions to address the identified risks.

Financial implications:

There are no direct financial implications arising from the report, although effective corporate risk management may help protect the Council from future losses.

RECOMMENDATIONS:

1. That the Committee review the strategic risks and makes recommendations to Council on any further action the Committee concludes should be considered.

Officer contact: Lisa Buckle [-lisa.buckle@swdevon.gov.uk](mailto:lisa.buckle@swdevon.gov.uk)
or by ‘phone on 01803 861413

1. BACKGROUND

- 1.1 The Council at its meeting on 10 May 2012 resolved to adopt the Joint Risk Management Policy.
- 1.2 The Joint Risk Management Policy requires the Senior Management Team to undertake reviews of the Corporate Risk Tables on a monthly 'light touch' basis and more comprehensively on a quarterly basis. It also stipulates that a member of the Senior Management Team will provide update reports to the Audit Committee on a six monthly basis. This is the responsibility of the Head of Finance and Audit.

2. STRATEGIC RISK REGISTER

- 2.1 The risks currently monitored by SMT are set out in five tables (Appendix 1) as follows:
- Table 1 - Strategic Financial and Asset Risks
 - Table 2 - Strategic Management Risks
 - Table 3 - Strategic Staffing Risks
 - Table 4 - Corporate Issues Risks.
 - Table 5 – Transformation Programme 2018
- 2.2 The tables include a summary of mitigating and management actions undertaken or proposed, to manage the identified risks. Monitoring requires both a proactive approach to assessing potential risk, as well as carrying out retrospective reviews to improve learning from risk and embedding it across the two Councils. The risk tables refer to both shared risks as well as risks affecting only one Council, on the basis that there is a benefit in understanding risks faced across the two organisations and an opportunity to share learning from managing those risks. Appended to the risk tables is a Risk Scoring Matrix which has been used to identify risk status. A risk rating is developed by assessing risk impact/severity and multiplying it by the likelihood/probability of the risk occurring. The risk score identified is the assessment based on the mitigation being successful.
- 2.3 The final attachment within Appendix 1 summarises the strategic risks, identifying the key risks at the point of the review. The tables are living documents and will regularly change in response to issues arising. Members should note that while risk is assessed collectively within SMT, the judgments in relation to the scores are inevitably subjective and Member challenge of the officer conclusions is therefore welcomed.
- 2.4 It is suggested that the Committee's attention is focussed on those risks with the highest score i.e. the risks with a score above 16. While members are invited to focus on the key risks, members are welcome to review any of the risks identified, including questioning whether the risk is appropriately scored, or whether further mitigating actions are required.

3. HIGH RISK ISSUES IDENTIFIED BY SMT

3.1 Based on SMT's review of the attached risk tables, the high level risks are as follows (i.e. those with a risk score of 16 and above. For more detail please refer to the confidential risk tables attached):

Strategic Financial and Asset Risks

FA06 (16) – Funding of the future capital programme.

Strategic Management Risks

MT07 (16) - Management capacity to respond to the level of external demand which is generated by a combination of national policy changes as well as customer/community requirements. This risk also relates to the capacity of staff as identified in ST01 (see below).

Strategic Staffing Risks

ST01 (20) - Officer capacity to implement the Connect Strategy/associated delivery plans and the Transformation Programme, in tandem with service-based policy development, ongoing project implementation and day-to-day delivery.

ST02 (16) – The potential loss of staff morale, including key staff leaving, coupled with the risk of inadequate provision of resources for training and re-skilling during an ongoing period of significant change.

Corporate Issues Risks

CI07 (16) - Meeting community expectations in relation to Localism, particularly within the planning process.

CI23 (16) – Compost Protocol changes and the potential impact on recycling performance and costs.

Transformation Programme 2018

T18 23 (2-25) – Senior Management restructure and the appointment process fails to deliver senior management capability needed to ensure the success of the T18 model.

Resolved Risks

3.2 The Councils retain a register of all the risks that have been judged to have been resolved. These have not been repeated in the Appendices as they are all under a risk score of 16 and are deemed to be resolved. These are kept under review and if the risk score changes they will reappear back on the risk registers.

- 3.3 Members may also wish to note that the strategic political risks associated with major organisational change to embed shared services are now judged by SMT to have largely been mitigated. Therefore the risks in this part of the register are deemed to be low or resolved.

Transformation Programme 2018

- 3.4 The Transformation Programme 2018 potentially addresses many of the strategic risks facing both the Councils; however a large scale change programme also generates significant risks for the Councils. These are detailed in the report.

4. LEGAL IMPLICATIONS

- 4.1 The Audit Committee has a role in keeping under review and recommending to Council improvements in relation to effective risk management.
- 4.2 There are no direct legal implications arising from the report although a strategic focus on risk management is good practice.
- 4.3 An assessment has been carried out as to whether the public interest in withholding the information in Appendix 1 outweighs the public interest in disclosing it. For most parts of the Risk Register, the public interest lies in non-disclosure due to the potential commercial/financial/legal nature of some of the risks identified.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications of the report, although effective corporate risk management may help protect the Council from future losses.

6. OTHER CONSIDERATIONS

Corporate priorities engaged:	All
Statutory powers:	None specifically identified.
Considerations of equality and human rights:	Factored into individual risk assessments where appropriate. Equalities Impact Review of the Risk Management Policy in place.
Biodiversity considerations:	Factored into individual risk assessments where appropriate.
Sustainability considerations:	Factored into individual risk assessments where appropriate.
Crime and disorder implications:	Factored into individual risk assessments where appropriate.
Background papers:	Joint Risk Management Policy.

Appendices attached:	APPENDICES – NOT FOR PUBLICATION Table 1 - Strategic Financial and Asset Risks Table 2 - Strategic Management Risks Table 3 - Strategic Staffing Risks Table 4 - Corporate Issues Risks. Table 5 – Transformation Programme 2018

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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 3 APRIL 2014**

Members in attendance * Denotes attendance			
*	Cllr I Bramble	*	Cllr L P Jones
*	Cllr C G Bruce-Spencer (Vice Chairman)	*	Cllr J T Pennington (Chairman)
*	Cllr A S Gorman		

Other Members in attendance and participating
Cllrs M J Hicks, T R Holway, M F Saltern and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Head of Finance and Audit, Chef Accountant, Chief Internal Auditor and Democratic Services Manager
Item 5	A.28/13	Assistant County Treasurer, Devon County Council
Item 6, 7, 8	A.29/13, A.30/13, A.31/13	Engagement Lead - Grant Thornton

A.26/13 MINUTES

The minutes of the meeting held on 16 January 2014 were confirmed as a correct record and signed by the Chairman.

A.27/13 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting and these were recorded as follows:-

Cllr M F Saltern declared a Personal Interest in Item 12: 'Checklist from the Audit Commission Document: Protecting the Public Purse 2013 (Fighting Fraud against Local Government)' (Minute A.35/13 below refers) specifically in relation to the Housing Tenancy risk and issues and remained in the meeting during the debate on this matter.

A.28/13

VERBAL PRESENTATION FROM MR MARK GAYLER, ASSISTANT COUNTY TREASURER, INVESTMENTS AND TREASURY MANAGEMENT FROM DEVON COUNTY COUNCIL

Having raised questions on the Pension Scheme at the last Committee meeting held on 16 January 2014 (Minute number A.23/13 refers), the Assistant County Treasurer of Devon County Council had been invited to attend this meeting to provide an update.

In conducting a presentation on the Devon Pension Fund, reference was made to the following key future issues:

- The Fund had a long term horizon over which to invest;
- The Fund needed to adapt to a changing world and increasing volatility of markets;
- Negative cash flow (contributions being less than the benefits) needed to be factored into the investment strategy for the longer term;
- A greater emphasis on cost savings (proposals for mergers and/or greater collaboration); and
- Long term performance of the Fund remaining the overriding objective.

In discussion, particular reference was made to:-

- (a) investing in a social housing fund. It was noted that the merits of this option had been explored, but it was concluded that other alternatives would deliver a better return;
- (b) the merits of ensuring that ethical investments were made. Members were informed that the last time that the Investment and Pension Fund Committee considered this matter, it remained of the view that its key role was to create good returns regardless of how ethical an investment was deemed to be;

In conclusion, the Chairman thanked the Devon County Council officer for his informative presentation and responses and advised that the Committee would welcome a further update on the Fund at a future meeting.

A.29/13

GRANT THORNTON SHDC AUDIT COMMITTEE UPDATE

The Committee considered a report that provided it with a progress update on how the External Auditor was delivering its responsibilities to the Council.

To enable the Council response to the report to be considered at the same meeting, the Committee asked if the report could be received by the Council at an earlier stage to allow any questions raised to be formally responded to at the meeting. In reply, the Engagement Lead confirmed that there was a fine balance to be struck to ensure that the Committee was in receipt of the latest information available, but he would work with officers to ensure that, if at all possible, this request could be met.

It was then:

RESOLVED

That the report be noted.

A.30/13 GRANT THORNTON SHDC AUDIT PLAN

A report was considered that presented Grant Thornton's Audit Plan for 2013/14.

In discussion, the following points were raised:-

- (a) The Engagement Lead – Grant Thornton confirmed his findings whereby the Council's Internal Audit Service was providing an independent and satisfactory service to the Council;
- (b) In respect of the recommendation for all non-routine journal entries to be authorised, it was noted that virtually every local authority in the county would also have this identified as an issue. As a consequence, it was agreed that this matter would be raised at the next meeting of the Devon Accounting Group;
- (c) In noting the comments relating to there being a lack of segregation of duties in the preparing and processing of payroll, the lead Executive Member for Corporate Services reiterated that there were compensatory controls in place. In addition, the Chief Internal Auditor stated that the payroll service was a part of the Internal Audit Plan and spot checks were undertaken regularly.

It was then:

RESOLVED

That the report be noted.

A.31/13 RESPONSE TO GRANT THORNTON PUBLICATION – AUDIT COMMITTEE UPDATE FOR SOUTH HAMS DISTRICT COUNCIL; AND UPDATE ON THE FUTURE OF LOCAL AUDIT

Members considered a report that provided them with the responses to the questions posed in the Grant Thornton Publication – Audit Committee Update for South Hams District Council dated 16 January and presented to the last Committee meeting.

In discussion, reference was made to:-

- (a) Council Tax collection rates. The Committee felt that the collection rates performance should be commended and the team should be thanked on its behalf;
- (b) Member training. Officers advised that finance related training for Members would be arranged in the upcoming months, with Grant Thornton representatives also offering to assist. A Member also made reference to the finance presentation which was provided to new staff members during the induction process and felt that this could also be tailored and rolled out to Members;
- (c) the Local Audit and Accountability Bill. In light of the emerging nature of the Bill, it was noted that the next Audit Committee meeting would consider the guidance which was expected to be produced in May 2014 in support of the Bill.

In conclusion, the Committee wished to put on record its praise for this report and thanked officers accordingly.

It was then:

RESOLVED

That the report be noted.

A.32/13 INTERNAL AUDIT: CHARTER AND STRATEGY – 2014/15

The Chief Internal Auditor presented a report that allowed the Committee to review and comment upon the Internal Audit Charter and Strategy for 2014/15.

It was then:

RESOLVED

That the Internal Audit Charter and Strategy 2014/15 be approved and the proposals for independent external assessment (as required by the UK Public Sector Internal Audit Standards (PSIAS)) have been considered.

A.33/13 INTERNAL AUDIT – PLAN FOR 2014/15

A report was considered that provided the Committee with the opportunity to review and comment upon the Internal Audit Plan for 2014/15.

In its discussions, the Committee recognised the need for the plan to be flexible, particularly when considering the extent of the changes arising from the Transformation Programme.

It was then:

RESOLVED

That the Internal Audit Plan 2014/15 and the linked 2014/15 Computer Audit Plan has been reviewed and commented upon.

A.34/13

INTERNAL AUDIT – PROGRESS AGAINST THE 2013/14 PLAN

The Committee considered a report that informed it of the principal activities and findings of the Council's Internal Audit team for 2013/14.

In discussion, particular reference was made to:-

- (a) both South Hams District and West Devon Borough Councils Audit Plans being completed in their entirety by the end of the year. As a result, the Committee wished to put on record its appreciation of this achievement;
- (b) the audit findings in respect of planning policy, including S106 Agreements being categorised as 'fair'. When questioned, the Chief Internal Auditor advised that an action plan had been agreed to ensure that the future findings could be categorised as 'good'. In light of this, a Member emphasised the importance of this matter and requested that this be followed up rigorously;
- (c) contract management. Following the most recent audit into contract management, the Committee was informed that the legal service now had a list of all council contracts and work was ongoing to ensure that these records were kept up to date. The Committee asked to be kept updated in this regard;
- (d) partnership management. The Chief Internal Auditor confirmed that extensive work had taken place following the audit and, as a consequence, a partnerships performance report was due to be presented to a Scrutiny Panel during the summer months;
- (e) treasury management. Since the audit findings had been classified as 'excellent', the Committee wished for its recognition at this result to be recorded;
- (f) Dartmouth Ferry. The Committee was informed that a new software ticketing system had been purchased and was due to go operational during week commencing 31 March 2014.

It was then:

RESOLVED

That the progress against the Internal Audit Plan 2013/14 has been considered and the summary of issues arising commented upon.

A.35/13

**CHECKLIST FROM THE AUDIT COMMISSION DOCUMENT:
PROTECTING THE PUBLIC PURSE 2013 (FIGHTING FRAUD AGAINST
LOCAL GOVERNMENT)**

The Committee considered a report that informed it of the position of the Council against the checklist included in the Audit Commission publication: 'Protecting the Public Purse 2013 (Fighting Fraud against Local Government)' (November 2013).

In discussion, the following points were raised:-

- (a) In respect of the overpaid benefits reported, the Chief Internal Auditor advised that he would present a report containing the detail for 2013/14 to the next Committee meeting;
- (b) The Committee debated at length the merits of an Executive Member being allocated specific responsibility for fighting fraud across the Council. Whilst it was not unanimous, the Committee did conclude that the Leader should be encouraged to include this responsibility within the portfolio of the lead Executive Member for Finance and Audit;
- (c) In light of some apparent inconsistencies relating to the Housing Tenancy risk and issues identified, the Chief Internal Auditor confirmed that he would look into the Council's responsibilities under the Devon Home Choice agreement in relation to tenancy fraud;
- (d) The Committee was advised that the review into the Contract Procedure Rules had commenced and a report would be presented to the next Committee meeting.

It was then:

RESOLVED

That the position of the Council against the checklist included in the Audit Commission publication 'Protecting the Public Purse 2013 (Fighting Fraud against Local Government)' (November 2013) has been considered and commented upon.

A.36/13 **ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION**

A report was considered that sought to ensure that the Council Constitution was amended to reflect the changes that had either occurred in the Council over the previous year, or to implement any necessary changes to ensure that it was up to date, lawful and reflected the Council's current practices.

In discussion, particular reference was made to:-

- (a) responsibility for reviewing the Council Constitution. Whilst the Committee had responsibility for the review, the decision to amend the Constitution would ultimately need to be taken by the Council and a further report would be presented to the Annual Council meeting on 8 May 2014;
- (b) some concerns in relation to the recommendation to amend the rules in relation to 'Notices of Motion'. In reply, the lead Executive Member for Corporate Services advised that this recommendation was an attempt to provide more focus to motions and overcome the current position whereby the rule was so open ended and wide ranging.

It was then:

RESOLVED

1. That Council be **RECOMMENDED** to approve the amendments to the South Hams District Council Constitution 2014 (as summarised in paragraph 2.2 of the presented agenda report); and
2. That it be noted that the Contract Procedure Rules be presented to the next Audit Committee meeting in June.

A.37/13 **STRATEGIC RISK ASSESSMENT – 6 MONTHLY UPDATE**

The Committee considered a report which informed them on the current situation with regard to corporate strategic risk assessment and which summarised the management and mitigation actions to address the identified risks.

In light of the Committee wishing to discuss elements of the exempt appendices, it was then:

RESOLVED

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

Members then discussed the exempt appendices, and officers responded to a number of queries that were raised. Specifically in relation to risk CI01 and the apparent lack of progress being made, the Chief Internal Auditor confirmed that he would find out and inform the Committee in due course.

With regard to the potential loss of key staff as a consequence of the T18 Programme, the Committee recognised that this was an important risk to keep in mind.

It was then:-

RESOLVED

That the public and press be readmitted.

It was then:-

RESOLVED

That the strategic risks have been reviewed and commented upon.

(Meeting commenced at 10.00 am and finished at 12.40 pm)

Chairman